

SERFF Tracking #: ALSE-128821535

State Tracking #:

Company Tracking #: ER-2180: RATE FACTOR
REVISION (PPA PSRM)

State: Arkansas

Filing Company: Encompass Insurance Company of America

TOI/Sub-TOI: 19.0 Personal Auto/19.0001 Private Passenger Auto (PPA)

Product Name: EICA PPA

Project Name/Number: Rate Factor Revision (PPA PSRM)/1170687

Filing at a Glance

Company: Encompass Insurance Company of America
Product Name: EICA PPA
State: Arkansas
TOI: 19.0 Personal Auto
Sub-TOI: 19.0001 Private Passenger Auto (PPA)
Filing Type: Rate/Rule
Date Submitted: 12/20/2012
SERFF Tr Num: ALSE-128821535
SERFF Status: Closed-Filed
State Tr Num:
State Status:
Co Tr Num: ER-2180: RATE FACTOR REVISION (PPA PSRM)

Effective Date
Requested (New):
Effective Date 06/14/2013
Requested (Renewal):
Author(s): Andi Colosi
Reviewer(s): Alexa Grissom (primary)
Disposition Date: 01/29/2013
Disposition Status: Filed
Effective Date (New):
Effective Date (Renewal): 06/14/2013

State Filing Description:

State: Arkansas
TOI/Sub-TOI: 19.0 Personal Auto/19.0001 Private Passenger Auto (PPA)
Product Name: EICA PPA
Project Name/Number: Rate Factor Revision (PPA PSRM)/1170687

Filing Company: Encompass Insurance Company of America

General Information

Project Name: Rate Factor Revision (PPA PSRM)
Project Number: 1170687
Reference Organization:
Reference Title:
Filing Status Changed: 01/29/2013
State Status Changed:
Created By: Celeste Vanduch
Corresponding Filing Tracking Number:

Status of Filing in Domicile:
Domicile Status Comments:
Reference Number:
Advisory Org. Circular:

Deemer Date:
Submitted By: Celeste Vanduch

Filing Description:

With this filing, Encompass is proposing an overall rate change of 5.0%. In order to achieve the overall selected rate level change, Encompass is revising the Motor Vehicle Base Rates for Bodily Injury, Property Damage, Medical Payments, Comprehensive, and Collision Coverages. In addition, Encompass is revising the rates for Uninsured Motorist and Underinsured Motorist Coverages, the Excess Liability Rates, Work Loss Coverage Rate, and the Accidental Death Benefit Rate.

Encompass made an editorial revision to Rule 8 "Suspension" of the Motor Vehicle Rules Manual.

Additionally, an editorial revision was made to the Motor Vehicle Rates Manual to clarify the Model Year Factors for vehicles of value in excess of \$150,000. Finally, Encompass editorially rolled up the Model Year Factors for Comprehensive and Collision coverages.

Encompass is targeting a renewal business effective date of June 14, 2013.

Effective Date:
New Business: N/A
Renewals: 6/14/2013

Company and Contact

Filing Contact Information

Andi Colosi, State Filings Project Manager andi.colosi@allstate.com
2775 Sanders Road 847-402-5000 [Phone] 21839 [Ext]
Suite A2-W 847-402-9757 [FAX]
Northbrook, IL 60062

Filing Company Information

Encompass Insurance Company of America	CoCode: 10071	State of Domicile: Illinois
2775 Sanders Road	Group Code: 8	Company Type: Property and Casualty
Suite A2-W	Group Name: Allstate	State ID Number:
Northbrook, IL 60062	FEIN Number: 36-3976913	
(847) 402-5000 ext. [Phone]		

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Filing Fees

Fee Required? Yes

Fee Amount: \$150.00

Retaliatory? No

Fee Explanation: Filing and review of independent rate filings - \$100

Filing of an independent rule filings - \$50

Per Company: No

Company	Amount	Date Processed	Transaction #
Encompass Insurance Company of America	\$150.00	12/20/2012	65941518

SERFF Tracking #:	ALSE-128821535	State Tracking #:		Company Tracking #:	ER-2180: RATE FACTOR REVISION (PPA PSRM)
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State:	Arkansas	Filing Company:	Encompass Insurance Company of America
TOI/Sub-TOI:	19.0 Personal Auto/19.0001 Private Passenger Auto (PPA)		
Product Name:	EICA PPA		
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Correspondence Summary

Dispositions

Status	Created By	Created On	Date Submitted
Filed	Alexa Grissom	01/29/2013	01/29/2013

Objection Letters and Response Letters

Objection Letters

Status	Created By	Created On	Date Submitted
Pending Industry Response	Alexa Grissom	01/08/2013	01/08/2013

Response Letters

Responded By	Created On	Date Submitted
Andi Colosi	01/11/2013	01/11/2013

State:	Arkansas	Filing Company:	Encompass Insurance Company of America
TOI/Sub-TOI:	19.0 Personal Auto/19.0001 Private Passenger Auto (PPA)		
Product Name:	EICA PPA		
Project Name/Number:	Rate Factor Revision (PPA PSRM)/1170687		

Disposition

Disposition Date: 01/29/2013
Effective Date (New):
Effective Date (Renewal): 06/14/2013
Status: Filed

Comment:

Company Name:	Overall % Indicated Change:	Overall % Rate Impact:	Written Premium Change for this Program:	# of Policy Holders Affected for this Program:	Written Premium for this Program:	Maximum % Change (where req'd):	Minimum % Change (where req'd):
Encompass Insurance Company of America	9.000%	5.000%	\$23,127	236	\$462,537	11.700%	0.700%

Schedule	Schedule Item	Schedule Item Status	Public Access
Supporting Document	A-1 Private Passenger Auto Abstract	Filed	Yes
Supporting Document (revised)	APCS-Auto Premium Comparison Survey	Filed	Yes
Supporting Document	APCS-Auto Premium Comparison Survey	Filed	Yes
Supporting Document (revised)	NAIC loss cost data entry document	Filed	Yes
Supporting Document	NAIC loss cost data entry document	Filed	Yes
Supporting Document	NAIC Loss Cost Filing Document for OTHER than Workers' Comp	Filed	Yes
Supporting Document	Actuarial Support	Filed	Yes
Rate	ManualAutoRates	Filed	Yes
Rate	ManualAutoRules	Filed	Yes
Rate	ManualExcessLiabilityRules	Filed	Yes

State: Arkansas **Filing Company:** Encompass Insurance Company of America
TOI/Sub-TOI: 19.0 Personal Auto/19.0001 Private Passenger Auto (PPA)
Product Name: EICA PPA
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Objection Letter

Objection Letter Status	Pending Industry Response
Objection Letter Date	01/08/2013
Submitted Date	01/08/2013
Respond By Date	

Dear Andi Colosi,

Introduction:

This will acknowledge receipt of the captioned filing. Please resubmit the APCS using the updated vehicle list.

Conclusion:

NOTICE regarding, corrections to filings and scrivener's Errors:

Effective for all filings made on or after June 1, 2011, Arkansas no longer allows the re-opening of closed filings for corrections, changes in effective dates, scrivener's errors, amendments or substantive changes. Please see the General Instructions for how these events will be handled after the effective date of the change."

Sincerely,

Alexa Grissom

SERFF Tracking #:	ALSE-128821535	State Tracking #:		Company Tracking #:	ER-2180: RATE FACTOR REVISION (PPA PSRM)
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TOI/Sub-TOI:	19.0 Personal Auto/19.0001 Private Passenger Auto (PPA)				
Product Name:	EICA PPA				
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Response Letter

Response Letter Status	Submitted to State
Response Letter Date	01/11/2013
Submitted Date	01/11/2013

Dear Alexa Grissom,

Introduction:

Hi Alexa: Thanks for your help! Please see our responses below and let me know if you have any additional questions or concerns.

*Have a great weekend-
Andi*

Response 1

Comments:

Please reference the attached and updated APCS.

Additionally, the attached RF-1 has been updated to remove the "NA" entries. Please note that a 0 is listed in lieu of an NA due to no rate change occurring in that particular year.

Changed Items:

SERFF Tracking #:	ALSE-128821535	State Tracking #:		Company Tracking #:	ER-2180: RATE FACTOR REVISION (PPA PSRM)
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Product Name:	EICA PPA		
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Supporting Document Schedule Item Changes

Satisfied - Item:	APCS-Auto Premium Comparison Survey
Comments:	
Attachment(s):	
02. APCS Survey Form ER-2180.xls	
03. APCS Survey Form ER-2180.pdf	
<i>Previous Version</i>	
<i>Satisfied - Item:</i>	<i>APCS-Auto Premium Comparison Survey</i>
<i>Comments:</i>	
<i>Attachment(s):</i>	
<i>04. APCS PSRM Survey Form ER-2180_V1.xls</i>	
<i>04. APCS PSRM Survey Form ER-2180_V1.pdf</i>	
Satisfied - Item:	NAIC loss cost data entry document
Comments:	
Attachment(s):	
01. StateFilingFormRF-1_ER-2180.pdf	
<i>Previous Version</i>	
<i>Satisfied - Item:</i>	<i>NAIC loss cost data entry document</i>
<i>Comments:</i>	
<i>Attachment(s):</i>	
<i>03. StateFilingFormRF-1_ER-2180.pdf</i>	

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Supporting Document Schedule Item Changes

Satisfied - Item:	APCS-Auto Premium Comparison Survey
Comments:	
Attachment(s):	
02. APCS Survey Form ER-2180.xls	
03. APCS Survey Form ER-2180.pdf	
<i>Previous Version</i>	
<i>Satisfied - Item:</i>	<i>APCS-Auto Premium Comparison Survey</i>
<i>Comments:</i>	
<i>Attachment(s):</i>	
<i>04. APCS PSRM Survey Form ER-2180_V1.xls</i>	
<i>04. APCS PSRM Survey Form ER-2180_V1.pdf</i>	
Satisfied - Item:	NAIC loss cost data entry document
Comments:	
Attachment(s):	
01. StateFilingFormRF-1_ER-2180.pdf	
<i>Previous Version</i>	
<i>Satisfied - Item:</i>	<i>NAIC loss cost data entry document</i>
<i>Comments:</i>	
<i>Attachment(s):</i>	
<i>03. StateFilingFormRF-1_ER-2180.pdf</i>	

No Form Schedule items changed.

No Rate/Rule Schedule items changed.

Conclusion:

Sincerely,
Andi Colosi

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Rate Information

Rate data applies to filing.

Filing Method:	File & Use
Rate Change Type:	Increase
Overall Percentage of Last Rate Revision:	3.000%
Effective Date of Last Rate Revision:	06/14/2012
Filing Method of Last Filing:	File & Use

Company Rate Information

Company Name:	Overall % Indicated Change:	Overall % Rate Impact:	Written Premium Change for this Program:	# of Policy Holders Affected for this Program:	Written Premium for this Program:	Maximum % Change (where req'd):	Minimum % Change (where req'd):
Encompass Insurance Company of America	9.000%	5.000%	\$23,127	236	\$462,537	11.700%	0.700%

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Rate/Rule Schedule

Item No.	Schedule Item Status	Exhibit Name	Rule # or Page #	Rate Action	Previous State Filing Number	Attachments
1	Filed 01/29/2013	ManualAutoRates	Base Rates, Model Year Factors (Editorial)	Replacement		10. Motor Vehicle Rates Manual ER-2180.pdf
2	Filed 01/29/2013	ManualAutoRules	Rule 8 (Suspension) - Editorial, Rule 9.A (Uninsured/Underinsured Motorist), Rule 9.O.B.2 (Work Loss Coverage), Rule 9.O.B.3 (Accidental Death Benefit)	Replacement		09. Motor Vehicle Rules Manual ER-2180.pdf
3	Filed 01/29/2013	ManualExcessLiabilityRules	Rule 5.A (Basic Limits)	Replacement		08. Excess Liability Rules Manual ER-2180.pdf

ARKANSAS USP PACKAGE AUTO RATE PAGES

BASE RATES

Territory	\$100/300 BI	\$50,000 PD	\$250 ded. COMP	\$250 ded. COLL	\$5,000 MED
3	327	236	50	298	36
4	534	389	43	309	38
5	601	434	43	309	38
9	410	313	50	322	36
10	383	285	40	292	28
31	466	338	47	294	38
32	502	367	43	288	39
33	398	276	54	312	28
34	427	296	46	301	32
35	389	273	60	308	32
36	381	262	53	307	36
37	370	264	57	307	36
38	389	265	60	305	36
89	451	340	77	335	36
90	416	309	69	308	36
91	334	278	53	260	36
92	383	258	52	273	38

COMPREHENSIVE MODEL YEAR/SYMBOL FACTORS

(a) Add 2.444 to Symbol 70 relativity for each \$10,000 or fraction of \$10,000 above \$150,000 of original cost.

(b) Add 1.500 to Symbol 26 relativity for each \$10,000 or fraction of \$10,000 above \$80,000 of original cost.

(c) Add 1.500 to Symbol 20 relativity for each \$10,000 or fraction of \$10,000 above \$65,000 of original cost.

Original Cost means:

- (1) Original F.O.B. list price for autos built in U.S.
- (2) Original cost new in U.S. for specially built autos.
- (3) Original cost new in U.S. for imported autos.

ARKANSAS USP PACKAGE AUTO RATE PAGES

COLLISION MODEL YEAR/SYMBOL FACTORS

Symbol	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995	1994	1993	1992	1990-91	1989
1	1.123	1.070	1.019	1.295	1.233	1.174	1.118	1.065	1.014	0.966	0.920	0.880	0.830	0.770	0.730	0.670	0.620	0.580	0.550	0.510	0.480	0.450	0.420	0.288
2	1.404	1.337	1.273	1.478	1.408	1.341	1.277	1.216	1.158	1.103	1.050	1.000	0.940	0.880	0.830	0.760	0.700	0.660	0.620	0.580	0.550	0.510	0.480	0.288
3	1.710	1.629	1.551	1.604	1.528	1.455	1.386	1.320	1.257	1.197	1.140	1.090	1.020	0.960	0.900	0.830	0.760	0.720	0.680	0.630	0.600	0.560	0.520	0.288
4	1.966	1.872	1.783	1.717	1.635	1.557	1.483	1.412	1.345	1.281	1.220	1.160	1.090	1.020	0.960	0.880	0.810	0.770	0.720	0.670	0.640	0.590	0.560	0.288
5	2.093	1.994	1.899	1.802	1.716	1.634	1.556	1.482	1.411	1.344	1.280	1.220	1.150	1.070	1.010	0.930	0.850	0.810	0.760	0.710	0.670	0.620	0.590	0.355
6	2.170	2.067	1.968	1.886	1.796	1.710	1.629	1.551	1.477	1.407	1.340	1.280	1.200	1.130	1.060	0.970	0.900	0.840	0.790	0.740	0.700	0.650	0.610	0.422
7	2.246	2.139	2.038	1.998	1.903	1.812	1.726	1.644	1.566	1.491	1.420	1.350	1.270	1.190	1.120	1.030	0.950	0.890	0.840	0.780	0.740	0.690	0.650	0.480
8	2.349	2.237	2.130	2.097	1.997	1.902	1.811	1.725	1.643	1.565	1.490	1.420	1.330	1.250	1.180	1.080	0.990	0.940	0.880	0.820	0.780	0.720	0.680	0.540
9	2.451	2.334	2.223	2.196	2.091	1.991	1.896	1.806	1.720	1.638	1.560	1.490	1.400	1.310	1.240	1.130	1.040	0.980	0.920	0.860	0.820	0.760	0.720	0.600
10	2.553	2.431	2.315	2.308	2.198	2.093	1.993	1.898	1.808	1.722	1.640	1.560	1.470	1.370	1.290	1.190	1.090	1.030	0.970	0.900	0.860	0.800	0.750	0.660
11	2.629	2.504	2.385	2.421	2.306	2.196	2.091	1.991	1.896	1.806	1.720	1.640	1.540	1.440	1.360	1.250	1.150	1.080	1.020	0.950	0.900	0.840	0.790	0.730
12	2.706	2.577	2.454	2.548	2.427	2.311	2.201	2.096	1.996	1.901	1.810	1.720	1.620	1.510	1.430	1.310	1.200	1.140	1.070	1.000	0.950	0.880	0.830	0.810
13	2.757	2.626	2.501	2.688	2.560	2.438	2.322	2.211	2.106	2.006	1.910	1.820	1.710	1.600	1.510	1.380	1.270	1.200	1.130	1.060	1.000	0.930	0.870	0.900
14	2.834	2.699	2.570	2.870	2.733	2.603	2.479	2.361	2.249	2.142	2.040	1.940	1.820	1.710	1.610	1.470	1.360	1.280	1.200	1.130	1.070	0.990	0.930	1.010
15	2.885	2.747	2.616	3.027	2.883	2.746	2.615	2.490	2.371	2.258	2.150	2.050	1.930	1.800	1.700	1.560	1.440	1.350	1.270	1.190	1.130	1.050	0.980	1.130
16	2.961	2.820	2.686	3.194	3.042	2.897	2.759	2.628	2.503	2.384	2.270	2.160	2.030	1.900	1.790	1.640	1.510	1.430	1.340	1.250	1.190	1.100	1.040	1.220
17	3.038	2.893	2.755	3.350	3.190	3.038	2.893	2.755	2.624	2.499	2.380	2.270	2.130	2.000	1.880	1.730	1.590	1.500	1.410	1.320	1.250	1.160	1.090	1.320
18	3.114	2.966	2.825	3.532	3.364	3.204	3.051	2.906	2.768	2.636	2.510	2.390	2.250	2.100	1.980	1.820	1.670	1.580	1.480	1.390	1.310	1.220	1.150	1.440
19	3.165	3.015	2.871	3.701	3.525	3.357	3.197	3.045	2.900	2.762	2.630	2.500	2.350	2.200	2.080	1.900	1.750	1.650	1.550	1.450	1.380	1.280	1.200	1.580
20	3.242	3.088	2.941	3.857	3.673	3.498	3.331	3.172	3.021	2.877	2.740	2.610	2.450	2.300	2.170	1.980	1.830	1.720	1.620	1.510	1.440	1.330	1.250	(f)
21	3.319	3.161	3.010	4.067	3.873	3.689	3.513	3.346	3.187	3.035	2.890	2.750	2.590	2.420	2.280	2.090	1.930	1.820	1.710	1.600	1.510	1.400	1.320	
22	3.395	3.233	3.080	4.306	4.101	3.906	3.720	3.543	3.374	3.213	3.060	2.910	2.740	2.560	2.420	2.210	2.040	1.920	1.800	1.690	1.600	1.480	1.400	
23	3.446	3.282	3.126	4.644	4.423	4.212	4.011	3.820	3.638	3.465	3.300	3.140	2.950	2.760	2.610	2.390	2.200	2.070	1.950	1.820	1.730	1.600	1.510	
24	3.523	3.355	3.195	5.179	4.932	4.697	4.473	4.260	4.057	3.864	3.680	3.500	3.290	3.080	2.910	2.660	2.450	2.310	2.170	2.030	1.930	1.790	1.680	
25	3.574	3.404	3.242	5.686	5.415	5.157	4.911	4.677	4.454	4.242	4.040	3.850	3.620	3.390	3.200	2.930	2.700	2.540	2.390	2.230	2.120	1.960	1.850	
26	3.625	3.452	3.288	(e)	(e)	(e)	(e)	(e)	(e)	(e)	(e)	(e)	(e)	(e)	(e)	(e)	(e)	(e)	(e)	(e)	(e)	(e)	(e)	
27	3.701	3.525	3.357																					
28	3.753	3.574	3.404																					
29	3.829	3.647	3.473																					
30	3.880	3.695	3.519																					
31	3.931	3.744	3.566																					
32	4.008	3.817	3.635																					
33	4.059	3.866	3.682																					
34	4.110	3.914	3.728																					
35	4.187	3.987	3.797																					
36	4.263	4.060	3.867																					
37	4.340	4.133	3.936																					
38	4.391	4.182	3.983																					
39	4.467	4.255	4.052																					
40	4.518	4.303	4.098																					
41	4.595	4.376	4.168																					
42	4.646	4.425	4.214																					
43	4.697	4.473	4.260																					
44	4.748	4.522	4.307																					
45	4.825	4.595	4.376																					
46	4.901	4.668	4.446																					
47	4.952	4.717	4.492																					
48	5.029	4.789	4.561																					
49	5.105	4.862	4.631																					
50	5.182	4.935	4.700																					
51	5.233	4.984	4.747																					
52	5.310	5.057	4.816																					
53	5.412	5.154	4.909																					
54	5.539	5.276	5.024																					
55	5.693	5.422	5.163																					
56	5.846	5.567	5.302																					
57	6.101	5.811	5.534																					
58	6.407	6.102	5.812																					
59	6.714	6.394	6.090																					
60	7.097	6.759	6.437																					
61	7.556	7.196	6.854																					
62	7.990	7.610	7.247																					
63	8.450	8.047	7.664																					
64	8.884	8.461	8.058																					
65	9.547	9.093	8.660																					
66	10.441	9.944	9.470																					
67	11.334	10.794	10.280																					
68	12.228	11.645	11.091																					
69	13.096	12.472	11.878																					
70	13.989	13.323	12.688																					
71	14.883	14.174	13.499																					
72	15.776	15.025	14.309																					

(d) Add .810 to Symbol 70 relative for each \$10,000 or fraction of \$10,000 above \$150,000 of original cost.

(e) Add .500 to Symbol 26 relative for each \$10,000 or fraction of \$10,000 above \$80,000 of original cost.

(f) Add .500 to Symbol 20 relative for each \$10,000 or fraction of \$10,000 above \$65,000 of original cost.

Original Cost means:

- (1) Original F.O.B. list price for autos built in U.S.
- (2) Original cost new in U.S. for specially built autos.
- (3) Original cost new in U.S. for imported autos.

6. MODEL YEAR GROUPS FOR COMPREHENSIVE AND COLLISION COVERAGES

- A. The model year of the auto is the year assigned by the auto manufacturer.
- B. Rebuilt or Structurally Altered Autos—the model year of the chassis determines the model year of the Auto.
- C. If the rates for a model year are not displayed in the rate pages, increase the rates shown for the latest model year by 5% for each year in excess of the latest model year shown.
- D. Coding applicable for model year is: Code the last two digits of the model year, for example: code 1990 vehicles as 90, 1991 as 91, etc.

7. RULES FOR DETERMINING PHYSICAL DAMAGE BASE RATES FOR SYMBOLS NOT DISPLAYED ON STATE RATE SHEETS

- A. Refer to the ISO Symbol and Identification Manual for vehicle symbols.
- B. For 1975 and prior model year autos above Symbol 7 and 1976-1980 model year autos above Symbol 14 determine a symbol from page 2 of the ISO Symbol and Identification Manual (use the table for model years 1981 to 1989) and then rate, based on that symbol.

8. SUSPENSION

- A. Under any USP policy, only Comprehensive coverage may not be suspended.
- B. If there is a lienholder for the vehicle, Collision coverage may be suspended only if evidence is provided that the registration for the vehicle has been surrendered to the state.
- C. Liability coverages may not be suspended for risks for which a financial responsibility filing is in effect.
- D. Insurance may be suspended by endorsement in accordance with the following provisions provided the period of suspension is at least 30 consecutive days:
 - (1) Insurance may be reinstated upon the named insured's request effective not earlier than receipt of such request by the company or any of its authorized representatives.
 - (2) The reinstatement endorsement shall not extend the policy beyond its original expiration date.
 - (3) Pro rata premium credit shall be granted for the period of suspension.
- E. Insurance covering a private passenger auto which is withdrawn from service for a period of at least 30 consecutive days because of a strike, may be suspended. Pro rata return premium on such vehicles shall be granted in accordance with Section C provided the insured furnishes the Company with a letter requesting the return premium. The letter shall be written on the insured's letterhead, signed by an executive of the insured's company and shall include the following:
 - (1) A description of each auto.
 - (2) The dates between which it was laid up because of the strike.
 - (3) A statement by the insured that he agrees to reimburse the Company for any payment made by the Company on account of any accident, claim or suit involving a coverage for an auto described in the letter for which return premium has been allowed by the Company.

F. Miscellaneous Vehicles may not be suspended.

9. MISCELLANEOUS COVERAGES

A. Uninsured Motorists Coverage

This form of auto insurance for Bodily Injury must be offered up to the policy's selected third party Personal Liability Limits, and at limits not less than the financial responsibility limits under every liability policy issued or delivered to the owner of the motor vehicle registered or principally garaged in Arkansas.

Exceptions:

- (1) If Bodily Injury Uninsured Motorists Coverage is purchased, the named insured shall be provided an opportunity to include Property Damage Uninsured Motorists Coverage, subject to a \$200 deductible.
- (2) The named insured has the right to reject Bodily Injury and Property Damage Uninsured Motorists Coverage or reject the Property Damage portion only, in writing.
- (3) Subsequent continuation, renewal, reinstatement, or replacement policies issued by the same insurer need not provide the rejected coverage unless the named insured requests such coverage in writing.
- (4) Whenever a new application is submitted in connection with any renewal, reinstatement, or replacement policy, the provisions of this rule shall apply in the same manner as if a new policy is being issued.
- (5) This coverage does not apply to snowmobiles, all-terrain vehicles, non-registered dune buggies and golf carts.
- (6) The named insured not electing to purchase the higher limits can reject the higher limits in writing and elect a limit not less than Arkansas minimum requirement.

If Uninsured Motorists Coverage is provided:

- (1) The limit for this coverage may be purchased up to the policy's Personal Liability Limit, but may not exceed it.
- (2) Uninsured Motorists Coverage must apply to all vehicles insured under the policy.

Rates:

The rates for this coverage apply on a per policy basis depending upon the number of vehicles on the policy. The rates are not subject to classification rating or modification by any rating plan except credit for existing insurance if applicable.

- (1) Single Limit Uninsured Motorists Coverage
 - (a) Bodily Injury Only

<u>Single Limit</u>	<u>Single Vehicle Policies</u>	<u>Rate per Policy Two-Vehicle Policies</u>	<u>Three-or-More Vehicle Policies</u>
\$ 50,000	<u>40.48</u>	<u>62.97</u>	<u>94.46</u>
\$100,000	<u>65.22</u>	<u>104.58</u>	<u>156.31</u>
\$300,000	<u>92.21</u>	<u>146.19</u>	<u>222.66</u>
\$500,000	<u>116.95</u>	<u>187.80</u>	<u>282.26</u>

**SECTION: UNIVERSAL SECURITY POLICY PORTFOLIO:
MOTOR VEHICLE RULES**
EFFECTIVE: June 14, 2013
PAGE NO: 20-Arkansas
(b) Bodily Injury and Property Damage

In order to purchase Single Limit Uninsured Motorists Bodily Injury and Property Damage coverage, add the following charge to the Uninsured Motorists rate as shown above. Property Damage is subject to a \$200 deductible.

<u>Additional Charge per Policy</u>			
BI and PD Limit	Single Vehicle Policies	Two-Vehicle Policies	Three-or-More Vehicle Policies
\$ 75,000	<u>\$11.25</u>	<u>\$19.12</u>	<u>\$30.36</u>
\$100,000	<u>13.49</u>	<u>21.37</u>	<u>33.74</u>
\$300,000	<u>17.99</u>	<u>25.86</u>	<u>43.86</u>
\$500,000	<u>19.12</u>	<u>32.61</u>	<u>47.23</u>

(add to \$ 50,000 Uninsured rate)
 (add to \$100,000 Uninsured rate)
 (add to \$300,000 Uninsured rate)
 (add to \$500,000 Uninsured rate)

(2) Split Limit Uninsured Motorists Coverage
(a) Bodily Injury Only

Split Limit	Single Vehicle Policies	Rate per Policy Two-Vehicle Policies	Three-or-More Vehicle Policies
\$ 25/ 50	<u>\$24.74</u>	<u>\$42.73</u>	<u>\$60.73</u>
\$ 50/100	<u>47.23</u>	<u>73.10</u>	<u>113.58</u>
\$100/300	<u>68.60</u>	<u>110.21</u>	<u>166.43</u>
\$250/500	<u>94.46</u>	<u>149.57</u>	<u>226.03</u>

(b) Bodily Injury and Property Damage

Add the following charge to the Split Limit Uninsured Motorists Bodily Injury rate above. Property Damage is subject to a \$200 deductible.

<u>Additional Charge per Policy</u>			
PD Limit	Single Vehicle Policies	Two-Vehicle Policies	Three-or-More Vehicle Policies
\$ 25,000	<u>\$11.25</u>	<u>\$17.99</u>	<u>\$25.86</u>
\$ 50,000	<u>13.49</u>	<u>21.37</u>	<u>33.74</u>
\$100,000	<u>14.62</u>	<u>24.74</u>	<u>37.11</u>

B. Underinsured Motorists Coverage

This form of coverage shall be offered under every liability policy issued or delivered to the owner of the motor vehicle registered or principally garaged in Arkansas.

Exceptions:

- (1) If the named insured does not elect Underinsured Motorists Coverage, the coverage must be rejected in writing.
- (2) Underinsured Motorists Coverage shall not be provided and must be rejected in writing if the named insured has rejected Bodily Injury Uninsured Motorists Coverage.
- (3) Subsequent renewal, reinstatement, substitute, amended, or replacement policies issued by the insurer need not provide the rejected coverage unless the named insured requests such coverage.
- (4) This coverage does not apply to snowmobiles, all-terrain vehicles, non-registered dune buggies and golf carts.

**SECTION: UNIVERSAL SECURITY POLICY PORTFOLIO:
MOTOR VEHICLE RULES**
EFFECTIVE: June 14, 2013
PAGE NO: 21-Arkansas
If Underinsured Motorists Coverage is provided:

- (1) The coverage must apply to all vehicles insured under the policy.
- (2) Uninsured Motorists Coverage and Underinsured Motorists Coverage must be provided at the same limits.

For Underinsured Motorists Coverage, add the following charges to the Uninsured Motorists rate:

- (1) Single Limit Underinsured Motorists Coverage

<u>Single Limit</u>	<u>Single Vehicle Policies</u>	<u>Rate per Policy Two-Vehicle Policies</u>	<u>Three-or-More Vehicle Policies</u>
\$ 50,000	<u>\$43.86</u>	<u>\$66.35</u>	<u>\$94.46</u>
\$100,000	<u>62.97</u>	<u>93.34</u>	<u>137.20</u>
\$300,000	<u>91.09</u>	<u>142.82</u>	<u>211.42</u>
\$500,000	<u>105.71</u>	<u>167.56</u>	<u>242.90</u>

- (2) Split Limit Underinsured Motorists Coverage

<u>Split Limit</u>	<u>Single Vehicle Policies</u>	<u>Rate per Policy Two-Vehicle Policies</u>	<u>Three-or-More Vehicle Policies</u>
\$ 25/ 50	<u>\$30.36</u>	<u>\$46.11</u>	<u>\$65.22</u>
\$ 50/100	<u>46.11</u>	<u>68.60</u>	<u>98.96</u>
\$100/300	<u>65.22</u>	<u>98.96</u>	<u>145.07</u>
\$250/500	<u>91.09</u>	<u>138.32</u>	<u>205.79</u>

C. Vehicles Equipped With Anti-Theft Devices

To qualify for a discount on Comprehensive Coverage only, the vehicle must be equipped with (1) a hood lock which can only be released from inside the vehicle, and (2) a device meeting the criteria of either paragraph (1), (2) or (3) below. If a vehicle is equipped with more than one qualifying device, only the single lowest factor shall apply.

Refer to Company for required evidence of installation of anti-theft devices meeting the following criteria prior to granting a discount.

- (1) Alarm ONLY and Active Disabling Devices

Apply a factor of .95 to the Comprehensive Premium on vehicles equipped with (1) alarm only devices which sound an audible alarm that can be heard at a distance of at least 300 feet for a minimum of three minutes, or (2) active disabling devices which disable the vehicle by making the fuel, ignition or starting system inoperative. A disabling device is categorized as active if a separate manual step IS required to engage the device.

- (2) Passive Disabling Devices and Retrieval Systems

Apply a factor of .85 to the Comprehensive Premium on vehicles equipped with either of the following:

- a. a passive disabling device which disables the vehicle by making the fuel, ignition or starting system inoperative. A disabling device is categorized as passive if a separate manual step is NOT required to engage the device; or
- b. a retrieval system which incorporates a device installed on the vehicle which emits a signal to allow for the vehicle's tracking and retrieval.

- b. Rates:
 - (1) Use the base rates for Medical Expenses Insurance.
 - (2) The Classifications and SDIP Rules apply.
- 2. Work Loss Coverage
 - a. Limits: Maximum per person--
 - (1) For an Income Earner--\$140 per week for 52 weeks.
 - (2) For a Non-Income Earner--\$70 per week for 52 weeks.
 - b. Rates:
 - (1) All Eligible Motor Vehicles
 - Charge \$5.82 per car, per year.
 - The Classification and SDIP Rules do NOT apply.
- 3. Accidental Death Benefit
 - a. Limits: Maximum per person--\$5,000.
 - b. Rates:
 - (1) All Eligible Motor Vehicles
 - Charge \$3.49 per car, per year.
 - The Classification and SDIP Rules do NOT apply.
- P. Accidental Air Bag Deployment Coverage

For a premium charge of \$10 per vehicle, coverage is available for the accidental deployment of an air bag. This coverage provides up to \$2,500 for the cost of reinstalling a factory installed air bag if it deploys when not caused by Collision or Comprehensive loss. This coverage is available for private passenger autos which carry both Comprehensive and Collision Coverage.

10. RESERVED FOR FUTURE USE

11. EXTENDED NON-OWNED AUTOMOBILE COVERAGE

- A. Liability Coverage-Liability coverage may be extended to an individual described below:

The insured named in the policy, the spouse, a resident of the same household, or a resident relative who is furnished an auto for regular use but is NOT employed by a garage.

 - 1. When no primary Liability insurance is in effect on the auto, charge 50% of the corresponding Liability premium found on the State Rate Pages.
 - 2. If a corporation, co-partnership or unincorporated association provides insurance coverage on an auto for its business use only, charge 50% of the corresponding Liability premium found on the State Rate Pages.
 - 3. When there is Primary Liability insurance in effect on the auto, charge 15% of the corresponding Liability premium found on the State Rate Pages.
 - B. Medical Expense Coverage-Medical Expense Coverage is only available if Liability Coverage is extended. Charge the applicable rate found on the State Rate Pages.
 - C. Optional Excess Liability-Refer to the Excess Liability Section of this manual.
- Note:** These rates are not subject to modification by the provisions of any rating plans or other rating rules, except Credit for Existing Insurance.

**5. ANNUAL RATES—BASIC LIMITS AND \$100/300 OR \$300,000 MINIMUM
UNDERLYING LIMITS FLAT CHARGE**
A. Motor Vehicle Liability (rates apply per vehicle)
(1) Autos, pickups, vans and registered dune buggies

<u>Classification</u>	<u>Class Code</u>	<u>Basic Limit Rates All Territories</u>	<u>\$100/300 or \$300,000 Underlying Limit Flat Charge</u>
All Operators	7010XX	<u>\$104.07</u>	<u>\$7.10</u>
Youthful Surcharge:			
Operators Under Age 21	7710XX	<u>\$30.75</u>	<u>\$2.37</u>
Operators Age 21 to 24	7510XX	<u>\$30.75</u>	<u>\$2.37</u>
Silver Select Surcharge	N/A	<u>\$43.76</u>	<u>\$2.37</u>
Senior Discount:			
Operators Age 50 and Above	7310XX	<u>\$26.02</u>	<u>\$1.19</u>

If two or more vehicles above are insured under the same policy, apply a factor of 0.80 to the above rates. (Class Code: Single Car XXXX01, Multi Car XXXX02)

(2) Other Miscellaneous Type Vehicles

<u>Vehicle</u>	<u>Class Code</u>	<u>Basic Limit Rates All Territories</u>	<u>\$100/300 or \$300,000 Underlying Limit Flat Charge</u>
Motor Homes	703000	\$28.49	\$2.11
Snowmobiles	704000	\$24.27	\$2.11
All-Terrain Vehicles	705000	\$24.27	\$2.11
Non-Registered Dune Buggies	706000	\$28.49	\$2.11
Golf Carts	707000	\$28.49	\$2.11
Antique Autos	708000	\$28.49	\$2.11

Note: The youthful surcharge should be added for each youthful operator for which coverage is to apply. The senior discount is then applied to any remaining vehicles. The number of youthful surcharges and senior discounts should not exceed the number of motor vehicles on the policy.

B. Home and Dwelling Fire Personal Liability

<u>Type</u>	<u>Class Code</u>	<u>Basic Limit Rates All Territories</u>	<u>\$300,000 Underlying Limit Flat Charge</u>
(1) Primary Residence	001	\$30	\$9
(2) Other Residence Premises and Residences Rented to Others	002	\$6	N/A
(3) Extended Liability Exposures: Permitted Business Exposures and Incidental Farming	N/A	\$10 (one charge per residence)	N/A
(4) HomeWork Supplement	N/A	\$37	N/A

SERFF Tracking #:	ALSE-128821535	State Tracking #:		Company Tracking #:	ER-2180: RATE FACTOR REVISION (PPA PSRM)
<hr/>					
State:	Arkansas	Filing Company:	Encompass Insurance Company of America		
TOI/Sub-TOI:	19.0 Personal Auto/19.0001 Private Passenger Auto (PPA)				
Product Name:	EICA PPA				
Project Name/Number:	Rate Factor Revision (PPA PSRM)/1170687				

Supporting Document Schedules

		Item Status:	Status Date:
Satisfied - Item:	A-1 Private Passenger Auto Abstract	Filed	01/29/2013
Comments:			
Attachment(s):			
02. StateFilingFormA-1_ER-2180.pdf			

		Item Status:	Status Date:
Satisfied - Item:	APCS-Auto Premium Comparison Survey	Filed	01/29/2013
Comments:			
Attachment(s):			
02. APCS Survey Form ER-2180.xls			
03. APCS Survey Form ER-2180.pdf			

		Item Status:	Status Date:
Satisfied - Item:	NAIC loss cost data entry document	Filed	01/29/2013
Comments:			
Attachment(s):			
01. StateFilingFormRF-1_ER-2180.pdf			

		Item Status:	Status Date:
Bypassed - Item:	NAIC Loss Cost Filing Document for OTHER than Workers' Comp	Filed	01/29/2013
Bypass Reason:	N/A		

		Item Status:	Status Date:
Satisfied - Item:	Actuarial Support	Filed	01/29/2013
Comments:			
Attachment(s):			

SERFF Tracking #:	ALSE-128821535	State Tracking #:		Company Tracking #:	ER-2180: RATE FACTOR REVISION (PPA PSRM)
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State:	Arkansas	Filing Company:	Encompass Insurance Company of America
TOI/Sub-TOI:	19.0 Personal Auto/19.0001 Private Passenger Auto (PPA)		
Product Name:	EICA PPA		
Project Name/Number:	Rate Factor Revision (PPA PSRM)/1170687		

05. Auto Indication Memo -ER2180.pdf
06. Indication Exhibits ER-2180.pdf
07. ROE Update Summary ER-2180.pdf

SERFF Tracking #:	ALSE-128821535	State Tracking #:		Company Tracking #:	ER-2180: RATE FACTOR REVISION (PPA PSRM)
<hr/>					
State:	Arkansas	Filing Company:	Encompass Insurance Company of America		
TOI/Sub-TOI:	19.0 Personal Auto/19.0001 Private Passenger Auto (PPA)				
Product Name:	EICA PPA				
Project Name/Number:	Rate Factor Revision (PPA PSRM)/1170687				

Attachment 02. APCS Survey Form ER-2180.xls is not a PDF document and cannot be reproduced here.

FORM A-1
Rev. 4/98

Telephone Number

AID PC A-1 (4/98)

Private Passenger Auto Premium Comparision Survey Form

FORM APCS - last modified May 2012

NAIC Number: 10071
 Company Name: Encompass Insurance Company of America
 Contact Person: Andrew King
 Telephone No.: 847-402-5812
 Email Address: aking@allstate.com
 Effective Date: 14-Jun-13

DISCOUNTS OFFERED:

PASSIVE RESTRAINT/AIRBAG 5- 30 %
 AUTO/HOMEOWNERS 20 %
 GOOD STUDENT 10- 14 %
 ANTI-THEFT DEVICE 5- 15 %
 Over 55 Defensive Driver Discount 10 %
 \$250/\$500 Deductible Comp./Coll. 0/13 %

Assumptions to Use:

- 1 Liability -Minimum \$25,000 per person
- 2 Bodily Injury \$50,000 per accident
\$25,000 per accident
- 3 Property Damage \$100 deductible per accident
- 4 Comprehensive & Collision \$250 deductible per accident
- 5 The insured has elected to accept:
Uninsured motorist property and bodily injury equal to liability coverage
Underinsured bodily injury equal to liability coverage
- 6 Personal Injury Protection of \$5,000 for medical, loss wages according to statute and \$5,000 accidental death
- 7 If male and female rates are different, use the highest of the two

Submit to: Arkansas Insurance Department
 1200 West Third Street
 Little Rock, AR 72201-1904
 Telephone: 501-371-2800

Email as an attachment to insurance.pnc@arkansas.gov
 You may also attach to a SERFF filing or submit on a compact disk

			Fayetteville				Trumann				Little Rock				Lake Village				Pine Bluff			
	Gender		Female	Male	Male or Female	Male or Female	Female	Male	Male or Female	Male or Female	Female	Male	Male or Female	Male or Female	Female	Male	Male or Female	Male or Female	Female	Male	Male or Female	Male or Female
Vehicle	Coverages	Age	18	18	40	66	18	18	40	66	18	18	40	66	18	18	40	66	18	18	40	66
2008 4.8L Chevrolet Silverado 1500 "LS" regular cab 119" WB	Minimum Liability		\$940	\$1,354	\$420	\$388	\$1,065	\$1,540	\$468	\$432	\$1,614	\$2,360	\$682	\$622	\$1,065	\$1,540	\$468	\$432	\$1,380	\$2,011	\$591	\$542
	Minimum Liability with Comprehensive and Collision		\$2,186	\$3,203	\$917	\$837	\$2,380	\$3,492	\$992	\$905	\$2,866	\$4,216	\$1,180	\$1,072	\$2,380	\$3,492	\$992	\$905	\$2,561	\$3,762	\$1,062	\$967
	100/300/50 Liability with Comprehensive and Collision		\$2,461	\$3,574	\$1,074	\$986	\$2,692	\$3,916	\$1,163	\$1,066	\$3,305	\$4,829	\$1,399	\$1,278	\$2,692	\$3,916	\$1,163	\$1,066	\$2,941	\$4,288	\$1,259	\$1,152
2009Ford Explorer "XLT" 2WD, 4 door	Minimum Liability		\$940	\$1,354	\$420	\$388	\$1,065	\$1,540	\$468	\$432	\$1,614	\$2,360	\$682	\$622	\$1,065	\$1,540	\$468	\$432	\$1,380	\$2,011	\$591	\$542
	Minimum Liability with Comprehensive and Collision		\$2,248	\$3,294	\$941	\$858	\$2,445	\$3,588	\$1,018	\$928	\$2,927	\$4,308	\$1,204	\$1,093	\$2,445	\$3,588	\$1,018	\$928	\$2,618	\$3,849	\$1,084	\$987
	100/300/50 Liability with Comprehensive and Collision		\$2,523	\$3,665	\$1,098	\$1,007	\$2,757	\$4,012	\$1,189	\$1,089	\$3,366	\$4,921	\$1,423	\$1,299	\$2,757	\$4,012	\$1,189	\$1,089	\$2,998	\$4,375	\$1,281	\$1,172
2010 Honda Odyssey "EX"	Minimum Liability		\$940	\$1,354	\$420	\$388	\$1,065	\$1,540	\$468	\$432	\$1,614	\$2,360	\$682	\$622	\$1,065	\$1,540	\$468	\$432	\$1,380	\$2,011	\$591	\$542
	Minimum Liability with Comprehensive and Collision		\$2,388	\$3,504	\$996	\$908	\$2,595	\$3,811	\$1,076	\$981	\$3,066	\$4,515	\$1,258	\$1,143	\$2,595	\$3,811	\$1,076	\$981	\$2,751	\$4,045	\$1,136	\$1,034
	100/300/50 Liability with Comprehensive and Collision		\$2,663	\$3,875	\$1,153	\$1,057	\$2,907	\$4,235	\$1,247	\$1,142	\$3,505	\$5,128	\$1,477	\$1,349	\$2,907	\$4,235	\$1,247	\$1,142	\$3,131	\$4,571	\$1,333	\$1,219
2011 Toyota Camry 2.5L 4 door Sedan	Minimum Liability		\$940	\$1,354	\$420	\$388	\$1,065	\$1,540	\$468	\$432	\$1,614	\$2,360	\$682	\$622	\$1,065	\$1,540	\$468	\$432	\$1,380	\$2,011	\$591	\$542
	Minimum Liability with Comprehensive and Collision		\$2,976	\$4,379	\$1,226	\$1,114	\$3,218	\$4,740	\$1,321	\$1,201	\$3,653	\$5,391	\$1,488	\$1,349	\$3,218	\$4,740	\$1,321	\$1,201	\$3,305	\$4,872	\$1,353	\$1,229
	100/300/50 Liability with Comprehensive and Collision		\$3,251	\$4,750	\$1,383	\$1,263	\$3,530	\$5,164	\$1,492	\$1,362	\$4,092	\$6,004	\$1,707	\$1,555	\$3,530	\$5,164	\$1,492	\$1,362	\$3,685	\$5,398	\$1,550	\$1,414
2011 Cadillac Seville "CTS" AWD WAG 4 door 3.0L	Minimum Liability		\$940	\$1,354	\$420	\$388	\$1,065	\$1,540	\$468	\$432	\$1,614	\$2,360	\$682	\$622	\$1,065	\$1,540	\$468	\$432	\$1,380	\$2,011	\$591	\$542
	Minimum Liability with Comprehensive and Collision		\$3,483	\$5,136	\$1,424	\$1,293	\$3,754	\$5,539	\$1,531	\$1,390	\$4,165	\$6,152	\$1,687	\$1,529	\$3,754	\$5,539	\$1,531	\$1,390	\$3,787	\$5,589	\$1,541	\$1,399
	100/300/50 Liability with Comprehensive and Collision		\$3,758	\$5,507	\$1,581	\$1,442	\$4,066	\$5,963	\$1,702	\$1,551	\$4,604	\$6,765	\$1,906	\$1,735	\$4,066	\$5,963	\$1,702	\$1,551	\$4,167	\$6,115	\$1,738	\$1,584
2010 Hyundai Santa Fe SE 4X2	Minimum Liability		\$940	\$1,354	\$420	\$388	\$1,065	\$1,540	\$468	\$432	\$1,614	\$2,360	\$682	\$622	\$1,065	\$1,540	\$468	\$432	\$1,380	\$2,011	\$591	\$542
	Minimum Liability with Comprehensive and Collision		\$2,658	\$3,905	\$1,101	\$1,003	\$2,886	\$4,245	\$1,192	\$1,084	\$3,331	\$4,911	\$1,363	\$1,236	\$2,886	\$4,245	\$1,192	\$1,084	\$3,002	\$4,421	\$1,235	\$1,123
	100/300/50 Liability with Comprehensive and Collision		\$2,933	\$4,276	\$1,258	\$1,152	\$3,198	\$4,669	\$1,363	\$1,245	\$3,770	\$5,524	\$1,582	\$1,442	\$3,198	\$4,669	\$1,363	\$1,245	\$3,382	\$4,947	\$1,432	\$1,308

NAIC LOSS COST DATA ENTRY DOCUMENT

1.	This filing transmittal is part of Company Tracking #	ER-2180
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2.	If filing is an adoption of an advisory organization loss cost filing, give name of Advisory Organization and Reference/ Item Filing Number	N/A
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	Company Name		Company NAIC Number
3.	A.	ENCOMPASS INSURANCE COMPANY OF AMERICA	B. 10071

	Product Coding Matrix Line of Business (i.e., Type of Insurance)		Product Coding Matrix Line of Insurance (i.e., Sub-type of Insurance)
4.	A.	Auto- Liability 19.0, Auto- Physical Damage 21.0	B.

5.

(A) COVERAGE (See Instructions)	(B) Indicated % Rate Level Change	(C) Requested % Rate Level Change	FOR LOSS COSTS ONLY				
			(D) Expected Loss Ratio	(E) Loss Cost Modification Factor	(F) Selected Loss Cost Multiplier	(G) Expense Constant (If Applicable)	(H) Co. Current Loss Cost Multiplier
Bodily Injury	44.6%	12.1%					
Property Damage	23.6%	11.0%					
Medical Payments	105.1%	9.7%					
Uninsured/Underinsured	19.3%	7.0%					
Collision	-22.4%	-3.0%					
Comprehensive	-8.8%	-2.8%					
TOTAL OVERALL EFFECT	9.0%	5.0%					

6.

5 Year History

Rate Change History

Year	Policy Count	% of Change	Effective Date	State Earned Premium (000)	Incurred Losses (000)	State Loss Ratio	Countrywide Loss Ratio
2007	872	0	0	1,898	1,626	85.7%	55.8%
2008	655	0	0	1,300	813	62.5%	48.0%
2009	473	9.8%	3/5/2009	1,051	233	22.1%	52.8%
2010	362	0	0	742	113	15.2%	50.1%
2011	278	0	0	609	335	55.0%	51.5%

7.

Expense Constants	Selected Provisions
A. Total Production Expense	15.4%
B. General Expense	8.4%
C. Taxes, License & Fees	3.3%
D. Underwriting Profit & Contingencies	Liab: 5.8% Phys Dmg: 10.0%
E. Other (explain) Debt Provision	1.4%
F. TOTAL	Liab: 34.3% Phys Dmg: 38.5%

8. N Apply Lost Cost Factors to Future filings? (Y or N)

9. +11.7% Estimated Maximum Rate Increase for any Insured (%). Territory (if applicable): 38

10. Estimated Maximum Rate Decrease for any Insured (%) Territory (if applicable):

Encompass Insurance Company of America
Private Passenger Automobile
Arkansas

TABLE OF CONTENTS

I. Summary of Changes and Summary Exhibits

II. Auto Statewide Rate Level Indications

Overview of Auto Indication Methodology
Adjustments to Premium in Detail
Adjustments to Losses in Detail
Catastrophe Adjustments in Detail
Expense and Profit Provision Support

SUMMARY OF CHANGES AND SUMMARY EXHIBITS

The chart below summarizes the indicated and proposed rate level changes included in this filing.

<u>Coverage</u>	Encompass Insurance Group Written Premium at CRL	Encompass Insurance Group Indicated Rate Level Change	Encompass Insurance Company of America Written Premium at CRL	Encompass Insurance Company of America Selected Rate Level Change
Bodily Injury	\$529,819	44.6%	\$129,130	12.1%
Property Damage	335,864	23.6%	87,838	11.0%
Medical Payments	35,112	105.1%	8,474	9.7%
Uninsured / Underinsured Motorist	176,525	19.3%	40,747	7.0%
Liability Subtotal	\$1,077,320	35.9%	\$266,189	10.9%
Collision	\$724,773	-22.4%	\$129,655	-3.0%
Comprehensive	349,407	-8.8%	66,693	-2.8%
Physical Damage Subtotal	\$1,074,180	-18.0%	\$196,348	-2.9%
TOTAL AUTOMOBILE	\$2,151,500	9.0%	\$462,537	5.0%

The filing contains the following revisions:

Motor Vehicle Rates Manual

Motor Vehicle Base Rates

Encompass has revised the Motor Vehicle Base Rates for the following coverages in order to reach the desired impact shown above: Bodily Injury, Property Damage, Medical Payments, Comprehensive, and Collision Coverages. Please reference the Motor Vehicle Rates Manual for the proposed rates.

Editorial Revision

An editorial revision was made to the Model Year Factors for both Comprehensive and Collision Coverages. This revision revises the additive amount for vehicles in excess of \$150,000 dollars. Please reference the Motor Vehicle Rates Manual for the revision. Additionally, the Model Year Factors for Comprehensive and Collision Coverages were rolled up to the most recent Model Year.

Motor Vehicle Rules Manual

Uninsured Motorist and Underinsured Motorist Coverage

With this filing, Encompass is revising the Uninsured Motorist and Underinsured Motorist rates for Bodily Injury and Property Damage in order to reach the desired impact shown above. Please reference Rule 9.A. for the revised rates.

Work Loss Coverage

The rate for Work Loss Coverage has been revised with this filing in order to reach the desired impact shown above. Please reference Rule 9.O.B.2 for the revised rate.

Accidental Death Benefit Coverage

Encompass has revised the rate for Accidental Death Benefit Coverage in order to reach the desired impact shown above. Please reference Rule 9.O.B.3 for the revised rate.

Editorial Revision

An editorial revision has been made to Rule 8 “Suspension” to clarify that Miscellaneous Vehicles may not be suspended. Please reference Rule 8 for the editorially revised verbiage.

Excess Liability Rules Manual

Excess Liability Rates

The Excess Liability rates have been revised with this filing in order to reach the desired impact shown above. Please reference Rule 5.A of the Excess Liability Rules Manual for the revised rates.

OVERVIEW OF AUTO INDICATION METHODOLOGY

Exhibits 1 – 11 of this section show the Determination of Statewide Rate Level Indications for Arkansas. The objective of this process is to determine the indicated rate level need. This is done by evaluating the adequacy of the present rates to pay for Encompass' best estimate of losses and expenses, including a reasonable profit margin that will be incurred from annual policies written in the year after the proposed effective date.

Encompass is utilizing a combined company pure premium indication methodology for its Private Passenger Auto indication, which represents the rate need for the state of Arkansas as a whole. The Statewide Rate Level Indication has been developed using combined data elements from Encompass Insurance Group in Arkansas. The aggregation of underlying data should provide a more stable, responsive, and credible basis for evaluation; as such, a complement of credibility will not be used.

With this filing, Encompass is incorporating a change in the underlying premiums and exposure data for the Medical Payments indication. Encompass has updated the coverage codes that should be included to reflect exposures and premiums falling within Medical Payments but had previously not been included in our indications. This update will better reflect Encompass' view of the rate adequacy of the Medical Payments coverage.

The statewide rate level indication is based on data from five rolling accident years for Bodily Injury, Property Damage, Medical Payments, Uninsured / Underinsured Motorist, Comprehensive, and Collision with losses ending **March 31, 2012**, evaluated as of **June 30, 2012**.

Experience Year Weights

In order to develop a credible measure of the indicated rate level, it is sometimes necessary to use more than one year of historical loss experience. Data for up to five experience years is combined to determine the indicated provision for loss and loss adjustment expense for each coverage. The number of years needed to determine the rate level indication for each coverage is derived from a credibility procedure based upon the number of paid claims and the distribution of claims for each coverage. This method also allows us to determine the weight to apply to each year of experience. The credibility procedure that was used is more fully described in the paper "On the Credibility of the Pure Premium" (Proceedings of the Casualty Actuarial Society, Vol. LV, 1968) by Mayerson, Jones and Bowers. The analysis for each coverage was completed using a k value of 10.0% and a P value of 90.0%; these parameters reflect the desire that the observed pure premium should be within k of the expected pure premium with probability P .

The weights applied to the loss experience for the experience years are determined for each coverage by the distribution of earned exposures over those years. The weights are based on the exposure distribution rather than the claim distribution in order to lessen the impact of volatility that can occur in the claim distribution. The initial calculated weight for a given year is limited to the weight for the subsequent year and the final weights are calculated proportionate to the limited weights to total 100%. Please refer to **Exhibit 4** for the experience year weights shown by coverage.

ADJUSTMENTS TO PREMIUMS

Current Rate Level Factors

Encompass uses an updated methodology that assumes that exposures are written uniformly by quarter, using a procedure described in a discussion by Frank Karlinski of the paper entitled "A Refined Model for Premium Adjustment", by David Miller and George Davis. (Mr. Karlinski's discussion appeared in the Proceedings of the Casualty Actuarial Society (PCAS), Vol. LXIV, 1977, and the paper by Miller and Davis appeared in the PCAS, Vol LXIII, 1976). This method (which is referred to as "Miller-Davis-Karlinski") more accurately calculates factors to current rate level in instances when exposures are changing throughout the year, whether through growth, shrinkage or seasonality. (When exposures are, in fact, written uniformly throughout the year, this method produces approximately the same answers as the parallelogram method.)

Premium Trend Factors

In addition to bringing premiums to current rate level, changes in the average written premium at the current rate level were reviewed. Unlike losses, premium is relatively stable. As the statewide rate level indication is developed using a Pure Premium methodology, only the latest year of premium is used as a basis for determining the indicated rate level change, which eliminates the need for historical annual premium trends. Prospective annual premium trends are still selected to account for expected shifts in the distribution of various rating characteristics such as driver classification, increased limits, model year and price group symbols (PGS) / Insurance Services Office (ISO) symbols. Since the effects on losses caused by these shifts are reflected in the loss projections, it is important that Encompass also account for the anticipated future changes in premiums. These selections are used to project the data from the average earned date of the experience period to the average earned date of the future policy period. Selected annual premium trends and overall premium trend factors for all coverages are shown in **Exhibit 5.A**. Encompass Insurance Group trend data is included as **Exhibit 5.B** to this attachment.

ADJUSTMENTS TO LOSSES

Loss Development

The losses for a given accident year may not have been fully determined at the evaluation date of this review. As such, the losses must be adjusted to an ultimate settlement basis. This is accomplished by analyzing historical patterns of incurred loss development for liability coverage and paid loss development for physical damage coverages and selecting loss development factors. Countrywide data has been considered in the selection of the loss development factors because of limited Arkansas specific historical data. Losses used in the analysis include allocated loss adjustment expenses but exclude catastrophes in order to minimize distortions. Age-to-age factors are selected for each coverage using total limits losses and are then used to calculate loss development factors. Additional analysis of losses limited to \$100,000 per claim is performed to develop limited losses to ultimate for Bodily Injury coverage and Uninsured/Underinsured Motorist coverage. The selected loss development factors that have been used in this filing are shown in **Exhibit 6**.

Excess Loss Provision

An excess loss provision is included to account for the expected exposure to large, fortuitous losses. Total ultimate losses for Bodily Injury coverage and Uninsured/Underinsured Motorist coverage are estimated by multiplying losses capped at \$100,000 per claim by a limited loss development factor and then by an excess loss factor. Encompass Insurance Group data has been considered in the selection of the excess loss provision. The excess loss factor is the selected ratio of ultimate unlimited losses to ultimate limited losses. The selected excess loss factors used in this filing are shown in **Exhibit 7**.

Loss Trend

The historical losses from the experience period are adjusted to account for expected differences in historical and future cost levels. While loss development factors adjust losses and allocated loss adjustment expenses (ALAE) to an ultimate settlement basis, they do not reflect the prospective rate of change in the occurrence of accidents (frequency) or in the cost of accidents (severity). To properly adjust historical costs to future cost levels, a loss trend adjustment is applied. The credibility level of Encompass loss trend data was analyzed by coverage based on the number of claims paid in the latest experience year.

Frequency and severity amounts are calculated using the methodology in “The Effect of Changing Exposure Levels on Calendar Year Loss Trends” (Casualty Actuarial Society Forum, Winter 2005) by Chris Styrsky. This methodology helps to more consistently match losses and claims paid with the exposures that produced the claims.

For each coverage, the annual selections are used to project the data from the average occurrence date of the experience period to the average occurrence date of the future policy period. These selected trends are displayed in **Exhibit 8.A**. The calculations of loss trend factors are also shown in **Exhibit 8.A**. Encompass Insurance Group trend data is included in **Exhibit 8.B**. Industry trend data is included in **Exhibit 8.C**. Please note that Encompass has selected trend and projection factors separately for each coverage, with the exception of Medical Payments and Uninsured/Underinsured Motorist. Bodily Injury trends were used to select the trends for Medical Payments and Uninsured/Underinsured Motorist.

Loss Adjustment Expenses

Losses in the experience period for each coverage have been adjusted to account for unallocated loss adjustment expenses (ULAE). A provision is developed using countrywide Encompass Insurance Group data in combined-lines form.

A three-year average of the ratios of countrywide, combined-lines, calendar year ULAE to countrywide, combined-lines, calendar year incurred losses is used to determine the ULAE provision. The average ratio is then applied to the losses for each coverage for each year used in the formula calculation. The ULAE ratio that has been used in this filing is shown in **Exhibit 4**.

Allocated loss adjustment expenses are included in both incurred losses and paid losses.

CATASTROPHE ADJUSTMENTS

In order to more appropriately account for catastrophes with Comprehensive coverage, all actual catastrophe losses during the experience period were removed. A catastrophe loss provision based upon 24 years of data in Arkansas, is used to account for catastrophes, as shown in **Exhibit 4**. This catastrophe loss provision was calculated by dividing total catastrophe losses by total Comprehensive coverage incurred losses excluding catastrophes over the 24-year period. As developed in **Exhibit 9**, the resulting catastrophe provision is **18.3%**.

EXPENSES & PROFITS

Exhibit 10.1 shows the expense provisions used in developing the current fixed and variable expense provisions.

General and Other Acquisition Expense

The provisions for general expense and other acquisition expense are based on countrywide data, excluding involuntary business. Since the methods and procedures that incur these expenses are uniform within each state, it is a reasonable assumption that these expense provisions are uniform across all states. To develop the provision for other acquisition and general expenses, a three-year average of countrywide, combined-lines, calendar year incurred expense divided by countrywide calendar year direct earned premium was calculated. Line specific adjustments to other acquisition expenses are made, such as the reduction by the amount of installment fees collected and the adjustment for premiums written off.

In developing the dollar provision for general and other acquisition expenses used in the calculation of the rate level need by coverage, the three-year countrywide average expense ratio for general and other acquisition expenses is applied to the average earned premium of Arkansas. The average earned premium is developed using the same three-year period used in the calculation of the countrywide expense ratio. The provision is then adjusted for inflation expected to occur from the midpoint of the three years used in the calculation of the average earned premium to the average earned date of the proposed policy period to derive the provision included in the rate level indication.

Licenses and Fees

A provision for licenses and fees that do not vary by premium size is determined by taking the arithmetic average ratio of these licenses and fees from the latest three calendar years in Arkansas. The provision for licenses and fees is considered, along with the general and other acquisition expense provisions, to be a fixed expense.

Fixed Expense Trend (Inflation)

The method used to calculate the fixed expense trend is similar to the method used by the Insurance Services Office (I.S.O.) and other competitors to determine a fixed expense trend. The method utilizes the CPI (Consumer Price Index) and the ECI (Employment Cost Index – Insurance Carriers, Agents, Brokers, & Service) and is discussed by Geoffrey Todd Werner, FCAS, MAAA in his paper Incorporation of Fixed Expenses, which was published in the *CAS Forum* (Winter 2004). Based on a review of the historical indices, an annual percentage change is selected for each index. These selected annual percent changes are then weighted together using the distribution of the Allstate expenditures in the latest calendar year for the two broad expense categories that these indices represent. This method is expected to produce stable and reasonable estimates of the true trend in fixed expenses and is consistent with the Current Practices and Alternatives detailed in Section 4 of Actuarial Standard of Practice No. 13, *Trending Procedures in Property/Casualty Insurance Ratemaking*. This trend is applied to general expenses, other acquisition expenses, and licenses and fees. **Exhibit 10.2** shows the derivation of the Factor to Adjust for Subsequent Change in Fixed Expense.

Commission and Brokerage Expense and Taxes

The proposed commission and brokerage expense provision has been developed from the actual calendar year 2011 commission and brokerage incurred expense ratio in Arkansas. The provision for taxes reflects the actual state premium tax and, where applicable, other premium-related taxes such as Fire Marshall taxes and Municipal taxes. The provisions are shown in **Exhibit 11**.

Underwriting Profit Provision

Encompass performs two separate cost of capital analyses in the estimation of its cost of equity. The first uses the Fama-French Three-factor Model (FF3F), which reflects developments in the field of financial economics as published in the Casualty Actuarial Society Forum, Winter, 2004 and in Journal of Risk and Insurance, Vol. 72, No. 3, September 2005 ("Estimating the Cost of Equity Capital For Property-Liability Insurers" by J. David Cummins and Richard D. Phillips). The second is a Discounted Cash Flow (DCF) analysis, which estimates the expected future cash flows to investors in order to gauge the proper cost of equity. Once both the DCF and FF3F estimates had been calculated, Encompass selected a cost of equity of 10.0%, which reflected the outcomes of both analyses.

An analysis of premium, loss and expense cash flows is used to calculate the investment income on policyholder supplied funds (PHSF). This methodology is one of the two examples given in Actuarial Standard of Practice, No. 30 as appropriate methods for recognizing investment income from insurance operations (page 4).

The calculations detailing this investment income analysis are found in **Exhibit 11.1** and **11.2** for liability and physical damage coverages, respectively. The rate (applied as a force of interest) used to discount losses and expenses includes anticipated net investment income and anticipated capital gains, both realized and unrealized. Operating cash flows are discounted to the average time of earnings of premium and profit for the policy year, rather than to the start of the policy year.

Please refer to the attached documented titled "The Development of the Underwriting Profit Provision" for more information.

Encompass Insurance Group
Private Passenger Auto
Arkansas

Table of Contents

Exhibit 1 -	Summary of Changes
Exhibit 2 -	Development of Statewide Rate Level Indication
Exhibit 3 -	Development of Projected Average Earned Premium at Current Rates
Exhibit 4 -	Development of Provision for Loss and LAE

Adjustments to Earned Premium

Exhibit 5 -	Premium Trends 5.A - Calculation of Premium Trend Factor 5.B - Premium Trends
-------------	---

Adjustments to Incurred Losses

Exhibit 6 -	Loss +ALAE Development Factors
Exhibit 7 -	Excess Loss Provision
Exhibit 8 -	Loss Trends 8.A - Calculation of Pure Premium Loss Trend Factors 8.B - Pure Premium Loss Trends (Encompass) 8.C - Pure Premium Loss Trends (Industry)
Exhibit 9 -	Catastrophe Insurance Losses (Comprehensive)

Expenses

Exhibit 10 -	Summary of Expense Provisions
Exhibit 11 -	Summary of Profit and Debt Provisions

Encompass Insurance Group
Private Passenger Auto
Arkansas

Exhibit 1

Summary of Changes

<u>Coverage</u>	Encompass Insurance Group Written Premium at CRL	Encompass Insurance Group Indicated Rate Level Change	Encompass Insurance Company of America Written Premium at CRL	Encompass Insurance Company of America Selected Rate Level Change
Bodily Injury	\$529,819	44.6%	\$129,130	12.1%
Property Damage	335,864	23.6%	87,838	11.0%
Medical Payments	35,112	105.1%	8,474	9.7%
Uninsured / Underinsured Motorist	176,525	19.3%	40,747	7.0%
Liability Subtotal	\$1,077,320	35.9%	\$266,189	10.9%
Collision	\$724,773	-22.4%	\$129,655	-3.0%
Comprehensive	349,407	-8.8%	66,693	-2.8%
Physical Damage Subtotal	\$1,074,180	-18.0%	\$196,348	-2.9%
TOTAL AUTOMOBILE	\$2,151,500	9.0%	\$462,537	5.0%

Encompass Insurance Group
Private Passenger Auto
Arkansas

Exhibit 2.A.1

Development of Statewide Rate Level Indication - Bodily Injury

1)	Current Fixed Expense Ratio (Exhibit 10.1)	9.7 %
2)	Three Year Average Earned Premium	\$185.18
3)	Current Dollar Provision for Fixed Expense = [(1) x (2)]	\$17.96
4)	Factor to Adjust for Subsequent Change in Fixed Expense (Exhibit 10.2)	1.094
5)	Indicated Provision for Fixed Expense = [(3) x (4)]	\$19.65
6)	Variable Expense and Profit Ratio (Exhibit 11.1)	24.6 %
7)	Indicated Provision for Loss and LAE (Exhibit 4.1)	\$179.12
8)	Indicated Average Premium = [(7) + (5)] / [1 - (6)]	\$263.62
9)	Projected Average Earned Premium at Current Rates (Exhibit 3.1)	\$182.35
10)	Indicated Rate Level Change = [(8) / (9) - 1]	44.6 %

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Private Passenger Auto
Arkansas

Exhibit 2.A.2

Development of Statewide Rate Level Indication - Property Damage

1)	Current Fixed Expense Ratio (Exhibit 10.1)	9.7 %
2)	Three Year Average Earned Premium	\$123.09
3)	Current Dollar Provision for Fixed Expense = [(1) x (2)]	\$11.94
4)	Factor to Adjust for Subsequent Change in Fixed Expense (Exhibit 10.2)	1.094
5)	Indicated Provision for Fixed Expense = [(3) x (4)]	\$13.06
6)	Variable Expense and Profit Ratio (Exhibit 11.1)	24.6 %
7)	Indicated Provision for Loss and LAE (Exhibit 4.2)	\$93.72
8)	Indicated Average Premium = [(7) + (5)] / [1 - (6)]	\$141.62
9)	Projected Average Earned Premium at Current Rates (Exhibit 3.2)	\$114.58
10)	Indicated Rate Level Change = [(8) / (9) - 1]	23.6 %

Encompass Insurance Group
Private Passenger Auto
Arkansas

Exhibit 2.A.3

Development of Statewide Rate Level Indication - Medical Payments

1)	Current Fixed Expense Ratio (Exhibit 10.1)	9.7 %
2)	Three Year Average Earned Premium	\$158.05
3)	Current Dollar Provision for Fixed Expense = [(1) x (2)]	\$15.33
4)	Factor to Adjust for Subsequent Change in Fixed Expense (Exhibit 10.2)	1.094
5)	Indicated Provision for Fixed Expense = [(3) x (4)]	\$16.77
6)	Variable Expense and Profit Ratio (Exhibit 11.1)	24.6 %
7)	Indicated Provision for Loss and LAE (Exhibit 4.3)	\$4.39
8)	Indicated Average Premium = [(7) + (5)] / [1 - (6)]	\$28.06
9)	Projected Average Earned Premium at Current Rates (Exhibit 3.2)	\$13.68
10)	Indicated Rate Level Change = [(8) / (9) - 1]	105.1 %

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Private Passenger Auto
Arkansas

Exhibit 2.A.4

Development of Statewide Rate Level Indication - Uninsured/Underinsured Motorist

1)	Current Fixed Expense Ratio (Exhibit 10.1)	9.7 %
2)	Three Year Average Earned Premium	\$57.48
3)	Current Dollar Provision for Fixed Expense = [(1) x (2)]	\$5.58
4)	Factor to Adjust for Subsequent Change in Fixed Expense (Exhibit 10.2)	1.094
5)	Indicated Provision for Fixed Expense = [(3) x (4)]	\$6.10
6)	Variable Expense and Profit Ratio (Exhibit 11.1)	24.6 %
7)	Indicated Provision for Loss and LAE (Exhibit 4.4)	\$50.36
8)	Indicated Average Premium = [(7) + (5)] / [1 - (6)]	\$74.88
9)	Projected Average Earned Premium at Current Rates (Exhibit 3.2)	\$62.78
10)	Indicated Rate Level Change = [(8) / (9) - 1]	19.3 %

Encompass Insurance Group
Private Passenger Auto
Arkansas

Exhibit 2.A.5

Development of Statewide Rate Level Indication - Collision

1)	Current Fixed Expense Ratio (Exhibit 10.1)	9.7 %
2)	Three Year Average Earned Premium	\$354.56
3)	Current Dollar Provision for Fixed Expense = [(1) x (2)]	\$34.39
4)	Factor to Adjust for Subsequent Change in Fixed Expense (Exhibit 10.2)	1.094
5)	Indicated Provision for Fixed Expense = [(3) x (4)]	\$37.62
6)	Variable Expense and Profit Ratio (Exhibit 11.2)	28.8 %
7)	Indicated Provision for Loss and LAE (Exhibit 4.5)	\$158.25
8)	Indicated Average Premium = [(7) + (5)] / [1 - (6)]	\$275.10
9)	Projected Average Earned Premium at Current Rates (Exhibit 3.5)	\$354.64
10)	Indicated Rate Level Change = [(8) / (9) - 1]	-22.4 %

Encompass Insurance Group
Private Passenger Auto
Arkansas

Exhibit 2.A.6

Development of Statewide Rate Level Indication - Comprehensive

1)	Current Fixed Expense Ratio (Exhibit 10.1)	9.7 %
2)	Three Year Average Earned Premium	\$176.20
3)	Current Dollar Provision for Fixed Expense = [(1) x (2)]	\$17.09
4)	Factor to Adjust for Subsequent Change in Fixed Expense (Exhibit 10.2)	1.094
5)	Indicated Provision for Fixed Expense = [(3) x (4)]	\$18.70
6)	Variable Expense and Profit Ratio (Exhibit 11.2)	28.8 %
7)	Indicated Provision for Loss and LAE (Exhibit 4.6)	\$91.23
8)	Indicated Average Premium = [(7) + (5)] / [1 - (6)]	\$154.40
9)	Projected Average Earned Premium at Current Rates (Exhibit 3.6)	\$169.24
10)	Indicated Rate Level Change = [(8) / (9) -1]	-8.8 %

Encompass Insurance Group
Private Passenger Auto
Arkansas

Exhibit 3.1

Development of Projected Average Earned Premium at Current Rates - Bodily Injury

	(1)	(2)	(3) (Exhibit 5.A)	(4) = (2) x (3)	(5) = (4) / (1)	(6)
Fiscal Year <u>Ending</u>	<u>Earned Exposures</u>	<u>Earned Premium at Current Rates</u>	<u>Factor to Adjust to Projected Premium Level</u>	<u>Projected Earned Premium at Current Rates</u>	<u>Projected Average Earned Premium at Current Rates</u>	<u>Experience Year Weights</u>
3/31/2012	3,058	\$605,457	0.921	\$557,626	\$182.35	100 %
(7) Projected Average Earned Premium At Current Rates					\$182.35	

Encompass Insurance Group
Private Passenger Auto
Arkansas

Exhibit 3.2

Development of Projected Average Earned Premium at Current Rates - Property Damage

	(1)	(2)	(3) (Exhibit 5.A)	(4) = (2) x (3)	(5) = (4) / (1)	(6)
Fiscal Year <u>Ending</u>	<u>Earned Exposures</u>	<u>Earned Premium at Current Rates</u>	<u>Factor to Adjust to Projected Premium Level</u>	<u>Projected Earned Premium at Current Rates</u>	<u>Projected Average Earned Premium at Current Rates</u>	<u>Experience Year Weights</u>
3/31/2012	3,058	\$391,498	0.895	\$350,391	\$114.58	100 %
(7) Projected Average Earned Premium At Current Rates					\$114.58	

Encompass Insurance Group
Private Passenger Auto
Arkansas

Exhibit 3.3

Development of Projected Average Earned Premium at Current Rates - Medical Payments

	(1)	(2)	(3) (Exhibit 5.A)	(4) = (2) x (3)	(5) = (4) / (1)	(6)
Fiscal Year <u>Ending</u>	<u>Earned Exposures</u>	<u>Earned Premium at Current Rates</u>	<u>Factor to Adjust to Projected Premium Level</u>	<u>Projected Earned Premium at Current Rates</u>	<u>Projected Average Earned Premium at Current Rates</u>	<u>Experience Year Weights</u>
3/31/2012	2,795	\$40,377	0.947	\$38,237	\$13.68	100 %
(7) Projected Average Earned Premium At Current Rates					\$13.68	

Encompass Insurance Group
Private Passenger Auto
Arkansas

Exhibit 3.4

Development of Projected Average Earned Premium at Current Rates - Uninsured/Underinsured Motorist

	(1)	(2)	(3) (Exhibit 5.A)	(4) = (2) x (3)	(5) = (4) / (1)	(6)
Fiscal Year <u>Ending</u>	<u>Earned Exposures</u>	<u>Earned Premium at Current Rates</u>	<u>Factor to Adjust to Projected Premium Level</u>	<u>Projected Earned Premium at Current Rates</u>	<u>Projected Average Earned Premium at Current Rates</u>	<u>Experience Year Weights</u>
3/31/2012	3,058	\$191,976	1.000	\$191,976	\$62.78	100 %
(7) Projected Average Earned Premium At Current Rates					\$62.78	

Encompass Insurance Group
Private Passenger Auto
Arkansas

Exhibit 3.5

Development of Projected Average Earned Premium at Current Rates - Collision

	(1)	(2)	(3) (Exhibit 5.A)	(4) = (2) x (3)	(5) = (4) / (1)	(6)
Fiscal Year <u>Ending</u>	<u>Earned Exposures</u>	<u>Earned Premium at Current Rates</u>	<u>Factor to Adjust to Projected Premium Level</u>	<u>Projected Earned Premium at Current Rates</u>	<u>Projected Average Earned Premium at Current Rates</u>	<u>Experience Year Weights</u>
3/31/2012	2,217	\$786,245	1.000	\$786,245	\$354.64	100 %
(7) Projected Average Earned Premium At Current Rates					\$354.64	

Encompass Insurance Group
Private Passenger Auto
Arkansas

Exhibit 3.6

Development of Projected Average Earned Premium at Current Rates - Comprehensive

	(1)	(2)	(3) (Exhibit 5.A)	(4) = (2) x (3)	(5) = (4) / (1)	(6)
Fiscal Year <u>Ending</u>	<u>Earned Exposures</u>	<u>Earned Premium at Current Rates</u>	<u>Factor to Adjust to Projected Premium Level</u>	<u>Projected Earned Premium at Current Rates</u>	<u>Projected Average Earned Premium at Current Rates</u>	<u>Experience Year Weights</u>
3/31/2012	2,255	\$381,627	1.000	\$381,627	\$169.24	100 %
(7) Projected Average Earned Premium At Current Rates					\$169.24	

Encompass Insurance Group
Private Passenger Auto
Arkansas

Exhibit 4.1

Development of Provision for Loss and LAE - Bodily Injury

	(1)	(2)	(3)	(4) = (2) * (1+ (3))	(5) Exhibit 7	(6) (Exhibit 8.A)	(7) = (4) x (5) x (6)	(8) = (7) / (1)	(9)
Fiscal Year Ending	Earned Exposures	Developed Limited Ex-Cat Losses and ALAE	ULAE Provision	Developed Limited Ex-Cat Losses and LAE	Excess Loss Provision	Factor to Adjust Losses for Pure Premium Trend	Projected Ultimate Loss and LAE	Projected Average Loss and LAE	Experience Year Weights
3/31/2008	6,439	\$827,684	0.138	\$941,904	1.230	1.000	\$1,158,542	\$179.93	20 %
3/31/2009	6,671	770,193	0.138	876,480	1.230	1.000	\$1,078,070	\$161.61	20
3/31/2010	5,446	798,487	0.138	908,678	1.230	1.000	\$1,117,674	\$205.23	20
3/31/2011	3,988	607,255	0.138	691,056	1.230	1.000	\$849,999	\$213.14	20
3/31/2012	3,058	296,475	0.138	337,389	1.230	1.000	\$414,988	\$135.71	20
(10) Indicated Provision for Loss and LAE							\$179.12		

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Exhibit 4.2

Development of Provision for Loss and LAE - Property Damage

	(1)	(2)	(3)	(4) = (2) * (1+ (3))	(5) (Exhibit 8.A)	(6) = (4) x (5)	(7) = (6) / (1)	(8)
Fiscal Year Ending	Earned Exposures	Developed Ex-Cat Losses and ALAE	ULAE Provision	Developed Ex-Cat Losses and LAE	Factor to Adjust Losses for Pure Premium Trend	Projected Ultimate Loss and LAE	Projected Average Loss and LAE	Experience Year Weights
3/31/2008	6,439	\$464,037	0.138	\$528,074	1.000	\$528,074	\$82.01	20 %
3/31/2009	6,671	417,517	0.138	475,134	1.000	475,134	71.22	20
3/31/2010	5,446	522,782	0.138	594,926	1.000	594,926	109.24	20
3/31/2011	3,988	415,464	0.138	472,798	1.000	472,798	118.56	20
3/31/2012	3,058	235,351	0.138	267,829	1.000	267,829	87.58	20
		(9) Indicated Provision for Loss and LAE				\$93.72		

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Exhibit 4.3

Development of Provision for Loss and LAE - Medical Payments

	(1)	(2)	(3)	(4) = (2) * (1+ (3))	(5) (Exhibit 8.A)	(6) = (4) x (5)	(7) = (6) / (1)	(8)
Fiscal Year Ending	Earned Exposures	Developed Ex-Cat Losses and ALAE	ULAE Provision	Developed Ex-Cat Losses and LAE	Factor to Adjust Losses for Pure Premium Trend	Projected Ultimate Loss and LAE	Projected Average Loss and LAE	Experience Year Weights
3/31/2008	5,641	\$5,366	0.138	\$6,107	1.000	\$6,107	\$1.08	20 %
3/31/2009	5,654	65,053	0.138	74,030	1.000	\$74,030	\$13.09	20
3/31/2010	4,679	10,523	0.138	11,975	1.000	\$11,975	\$2.56	20
3/31/2011	3,571	14,970	0.138	17,036	1.000	\$17,036	\$4.77	20
3/31/2012	2,795	1,076	0.138	1,224	1.000	\$1,224	\$0.44	20
		(9) Indicated Provision for Loss and LAE				\$4.39		

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Exhibit 4.4

Development of Provision for Loss and LAE - Uninsured / Underinsured Motorist

	(1)	(2)	(3)	(4) = (2) * (1+ (3))	(5) Exhibit 7	(6) (Exhibit 8.A)	(7) = (4) x (5) x (6)	(8) = (7) / (1)	(9)
Fiscal Year Ending	Earned Exposures	Developed Limited Ex-Cat Losses and ALAE	ULAE Provision	Developed Limited Ex-Cat Losses and LAE	Excess Loss Provision	Factor to Adjust Losses for Pure Premium Trend	Projected Ultimate Loss and LAE	Projected Average Loss and LAE	Experience Year Weights
3/31/2008	6,439	\$279,721	0.138	\$318,322	1.110	1.000	\$353,337	\$54.87	20 %
3/31/2009	6,671	343,818	0.138	391,265	1.110	1.000	\$434,304	\$65.10	20
3/31/2010	5,446	233,647	0.138	265,890	1.110	1.000	\$295,138	\$54.19	20
3/31/2011	3,988	107,715	0.138	122,580	1.110	1.000	\$136,064	\$34.12	20
3/31/2012	3,058	105,329	0.138	119,864	1.110	1.000	\$133,049	\$43.51	20
		(10) Indicated Provision for Loss and LAE					\$50.36		

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Exhibit 4.5

Development of Provision for Loss and LAE - Collision

	(1)	(2)	(3)	(4) = (2) * (1+ (3))	(5) (Exhibit 8.A)	(6) = (4) x (5)	(7) = (6) / (1)	(8)
Fiscal Year Ending	Earned Exposures	Developed Ex-Cat Losses and ALAE	ULAE Provision	Developed Ex-Cat Losses and LAE	Factor to Adjust Losses for Pure Premium Trend	Projected Ultimate Loss and LAE	Projected Average Loss and LAE	Experience Year Weights
3/31/2008	4,513	\$550,126	0.138	\$626,043	1.000	\$626,043	\$138.72	20 %
3/31/2009	4,485	593,855	0.138	675,807	1.000	675,807	150.68	20
3/31/2010	3,741	694,806	0.138	790,689	1.000	790,689	211.36	20
3/31/2011	2,843	407,840	0.138	464,122	1.000	464,122	163.25	20
3/31/2012	2,217	247,871	0.138	282,077	1.000	282,077	127.23	20
		(9) Indicated Provision for Loss and LAE				\$158.25		

Exhibit 4.6

(3)
(Exhibit 9)

$$(4) \\ = (2) \times [1+(3)]$$
$$(6) = (4) * (1 + (5))$$

(7)
(Exhibit 8.A)

$$(8) \\ = (6) \times (7)$$
$$(9) = (8) / (1)$$

(11) Indicated Provision for Loss and LAE

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Exhibit 5.A

Calculation of Premium Trend Factor

<u>Coverage</u>	<u>Selected Annual Premium Impacts</u>
	<u>Projected</u>
Bodily Injury	-3.00%
Property Damage	-4.00%
Medical Payments	-2.00%
Uninsured / Underinsured Motorist	0.00%
Collision	0.00%
Comprehensive	0.00%

	<u>Calculation of Trend Period</u>
	<u>Current Year</u>
1) Average Earned Date of Proposed Policy Period	6/14/2014
2) Mid-Point of Current Year's Experience Period	9/30/2011
3) Experience Period Ended	3/31/2012
4) Midpoint of Experience Period	9/30/2011
5) Historical: Number of Years from (4) to (2)	0.000
6) Projected: Number of Years from (2) to (1)	2.704

	<u>Factor to Adjust to Projected Premium Level</u>
	<u>Current Year</u>
Bodily Injury	0.921
Property Damage	0.895
Medical Payments	0.947
Uninsured / Underinsured Motorist	1.000
Collision	1.000
Comprehensive	1.000

(a) Historical Premium Factors are the Annual Historical Impacts plus unity compounded for the number of years in (5)

(b) Projected Premium Factors are the Annual Projected Impacts plus unity compounded for the number of years in (6)

(c) Factor to Adjust to Projected Premium Level = (a) x (b)

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Exhibit 5.B.1

Average Written Premium Trends - Bodily Injury

Year Ending	Average Written Premium @ CRL	Annual % Change	Exponential Curve of Best Fit (\$)		
			20 pt.	6 pt.	4 pt.
09/06	\$258.21	-8.5			
12/06	250.02	-10.7			
03/07	239.74	-12.5			
06/07	230.49	-13.4			
09/07	224.06	-13.2	213.02		
12/07	218.13	-12.8	211.77		
03/08	214.11	-10.7	210.52		
06/08	211.18	-8.4	209.28		
09/08	205.87	-8.1	208.04		
12/08	202.18	-7.3	206.81		
03/09	199.23	-7.0	205.59		
06/09	197.84	-6.3	204.38		
09/09	195.36	-5.1	203.18		
12/09	195.90	-3.1	201.98		
03/10	195.00	-2.1	200.79		
06/10	195.83	-1.0	199.60		
09/10	199.37	2.1	198.43		
12/10	200.98	2.6	197.26		
03/11	202.78	4.0	196.09	202.98	
06/11	200.32	2.3	194.94	200.16	
09/11	198.38	-0.5	193.79	197.37	197.46
12/11	193.74	-3.6	192.64	194.62	194.66
03/12	191.04	-5.8	191.51	191.92	191.90
06/12	190.04	-5.1	190.38	189.25	189.17

<u>Regression</u>	20 pt.	6 pt.	4 pt.
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Avg Annual Percent Change Based on Best Fit:	-2.3 %	-5.5 %	-5.6 %
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Exhibit 5.B.2

Average Written Premium Trends - Property Damage

Year Ending	Average Written Premium @ CRL	Annual % Change	Exponential Curve of Best Fit (\$)		
			20 pt.	6 pt.	4 pt.
09/06	\$170.37	-8.9			
12/06	165.65	-10.4			
03/07	159.67	-11.4			
06/07	155.09	-11.6			
09/07	151.93	-10.8	148.08		
12/07	148.96	-10.1	146.56		
03/08	147.12	-7.9	145.05		
06/08	145.42	-6.2	143.55		
09/08	141.59	-6.8	142.08		
12/08	138.67	-6.9	140.61		
03/09	136.33	-7.3	139.17		
06/09	134.35	-7.6	137.73		
09/09	132.55	-6.4	136.31		
12/09	131.70	-5.0	134.91		
03/10	130.72	-4.1	133.52		
06/10	129.84	-3.4	132.15		
09/10	131.24	-1.0	130.79		
12/10	132.01	0.2	129.44		
03/11	132.15	1.1	128.11	132.59	
06/11	130.20	0.3	126.79	129.96	
09/11	128.27	-2.3	125.48	127.39	127.70
12/11	124.67	-5.6	124.19	124.86	125.00
03/12	121.37	-8.2	122.91	122.39	122.35
06/12	120.51	-7.4	121.64	119.97	119.76
<u>Regression</u>			<u>20 pt.</u>	<u>6 pt.</u>	<u>4 pt.</u>
Avg Annual Percent Change Based on Best Fit:			-4.1 %	-7.7 %	-8.2 %

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Exhibit 5.B.3

Average Written Premium Trends - Collision

Year Ending	Average Written Premium @ CRL	Annual % Change	Exponential Curve of Best Fit (\$)		
			20 pt.	6 pt.	4 pt.
09/06	\$322.06	11.6			
12/06	326.21	7.2			
03/07	327.65	6.8			
06/07	329.62	4.6			
09/07	332.87	3.4	346.31		
12/07	341.08	4.6	346.93		
03/08	345.90	5.6	347.56		
06/08	351.48	6.6	348.19		
09/08	355.51	6.8	348.83		
12/08	352.49	3.4	349.46		
03/09	350.93	1.5	350.09		
06/09	351.71	0.1	350.73		
09/09	353.18	-0.7	351.36		
12/09	354.86	0.7	352.00		
03/10	358.75	2.2	352.64		
06/10	359.17	2.1	353.28		
09/10	357.47	1.2	353.92		
12/10	356.93	0.6	354.56		
03/11	359.99	0.4	355.20	357.43	
06/11	353.16	-1.7	355.85	356.13	
09/11	356.63	-0.2	356.49	354.83	354.51
12/11	351.88	-1.4	357.14	353.54	353.51
03/12	349.47	-2.9	357.79	352.25	352.50
06/12	354.07	0.3	358.44	350.96	351.50

<u>Regression</u>	<u>20 pt.</u>	<u>6 pt.</u>	<u>4 pt.</u>
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Avg Annual Percent Change Based on Best Fit:	0.7 %	-1.5 %	-1.1 %
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Encompass Insurance Group
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Arkansas

Exhibit 5.B.4

Average Written Premium Trends - Comprehensive

Year Ending	Average Written Premium @ CRL	Annual % Change	Exponential Curve of Best Fit (\$)		
			20 pt.	6 pt.	4 pt.
09/06	\$165.88	12.5			
12/06	167.70	7.7			
03/07	169.60	7.8			
06/07	171.22	5.3			
09/07	172.72	4.1	181.81		
12/07	177.08	5.6	181.17		
03/08	178.40	5.2	180.53		
06/08	181.11	5.8	179.89		
09/08	182.15	5.5	179.25		
12/08	180.87	2.1	178.61		
03/09	180.08	0.9	177.98		
06/09	179.73	-0.8	177.35		
09/09	180.16	-1.1	176.72		
12/09	179.87	-0.6	176.09		
03/10	181.30	0.7	175.47		
06/10	179.03	-0.4	174.85		
09/10	176.25	-2.2	174.23		
12/10	172.20	-4.3	173.61		
03/11	172.15	-5.1	173.00	170.78	
06/11	169.06	-5.6	172.38	170.21	
09/11	169.08	-4.1	171.77	169.63	169.02
12/11	168.98	-1.9	171.16	169.06	168.82
03/12	168.14	-2.3	170.56	168.50	168.63
06/12	168.71	-0.2	169.95	167.93	168.43

Regression	20 pt.	6 pt.	4 pt.
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Avg Annual Percent Change Based on Best Fit:	-1.4 %	-1.3 %	-0.5 %
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Encompass Insurance Group
Private Passenger Auto
Arkansas

Exhibit 5.B.5

Average Written Premium Trends - Medical Payments

Year Ending	Average Written Premium @ CRL	Annual % Change	Exponential Curve of Best Fit (\$)		
			20 pt.	6 pt.	4 pt.
09/06	\$144.66	10.4			
12/06	152.04	9.8			
03/07	152.56	4.7			
06/07	151.59	6.6			
09/07	152.09	5.1	162.38		
12/07	156.03	2.6	161.81		
03/08	159.48	4.5	161.24		
06/08	163.70	8.0	160.67		
09/08	164.28	8.0	160.10		
12/08	153.71	-1.5	159.53		
03/09	157.61	-1.2	158.97		
06/09	163.24	-0.3	158.41		
09/09	159.69	-2.8	157.85		
12/09	159.87	4.0	157.29		
03/10	161.96	2.8	156.74		
06/10	158.18	-3.1	156.18		
09/10	160.63	0.6	155.63		
12/10	163.31	2.2	155.08		
03/11	166.28	2.7	154.53	167.15	
06/11	163.48	3.4	153.99	160.64	
09/11	153.99	-4.1	153.44	154.37	152.72
12/11	145.74	-10.8	152.90	148.35	147.52
03/12	142.42	-14.4	152.36	142.57	142.49
06/12	138.24	-15.4	151.82	137.01	137.64
<u>Regression</u>			<u>20 pt.</u>	<u>6 pt.</u>	<u>4 pt.</u>
Avg Annual Percent Change Based on Best Fit:			-1.4 %	-14.7 %	-13.0 %

Encompass Insurance Group
Private Passenger Auto
Arkansas

Exhibit 5.B.6

Average Written Premium Trends - Uninsured / Underinsured Motorist

Year Ending	Average Written Premium @ CRL	Annual % Change	Exponential Curve of Best Fit (\$)		
			20 pt.	6 pt.	4 pt.
09/06	\$75.41	-8.25			
12/06	72.31	-11.69			
03/07	69.56	-12.84			
06/07	65.65	-15.65			
09/07	62.81	-16.71	58.93		
12/07	61.44	-15.03	59.13		
03/08	60.02	-13.71	59.32		
06/08	59.21	-9.81	59.51		
09/08	58.07	-7.55	59.70		
12/08	58.01	-5.58	59.90		
03/09	58.37	-2.75	60.09		
06/09	58.41	-1.35	60.29		
09/09	58.84	1.33	60.48		
12/09	59.39	2.38	60.68		
03/10	59.90	2.62	60.88		
06/10	60.67	3.87	61.07		
09/10	61.85	5.12	61.27		
12/10	62.53	5.29	61.47		
03/11	62.40	4.17	61.67	62.32	
06/11	62.54	3.08	61.87	62.50	
09/11	62.50	1.05	62.07	62.68	62.54
12/11	62.89	0.58	62.27	62.85	62.79
03/12	62.95	0.88	62.48	63.03	63.04
06/12	63.32	1.25	62.68	63.21	63.29
Regression			20 pt.	6 pt.	4 pt.
Avg Annual Percent Change Based on Best Fit:			1.3 %	1.1 %	1.6 %

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Exhibit 6.1.a

Incurred Loss + ALAE Development Factors - Limited Bodily Injury

Fiscal Accident										
<u>Year Ending</u>	<u>15 Months</u>	<u>27 Months</u>	<u>39 Months</u>	<u>51 Months</u>	<u>63 Months</u>	<u>75 Months</u>	<u>87 Months</u>	<u>99 Months</u>	<u>111 Months</u>	<u>123 Months</u>
3/31/2000								1,499,521	1,499,521	1,499,521
3/31/2001							2,313,377	2,313,377	2,313,377	2,313,377
3/31/2002						1,867,132	1,869,654	1,869,721	1,869,721	1,869,721
3/31/2003					1,044,364	1,019,364	1,019,439	1,019,439	1,019,439	1,019,439
3/31/2004				665,139	665,687	665,687	665,687	665,687	665,687	
3/31/2005			1,717,264	1,641,396	1,597,932	1,646,400	1,646,277	1,646,277		
3/31/2006		829,539	1,003,327	998,104	977,333	977,333	977,333			
3/31/2007	462,927	692,465	712,804	736,745	736,745	736,745				
3/31/2008	584,540	796,795	773,118	798,961	807,496					
3/31/2009	572,114	705,602	734,424	727,283						
3/31/2010	622,427	702,872	701,657							
3/31/2011	399,043	464,261								
3/31/2012	175,430									
				Link Ratios						
<u>Development</u>	<u>15 to 27</u>	<u>27 to 39</u>	<u>39 to 51</u>	<u>51 to 63</u>	<u>63 to 75</u>	<u>75 to 87</u>	<u>87 to 99</u>	<u>99 to 111</u>	<u>111 to 123</u>	
4th Prior	1.496	1.209	0.956	1.001	0.976	1.001	1.000	1.000	1.000	
3rd Prior	1.363	1.029	0.995	0.974	1.000	1.000	1.000	1.000	1.000	
2nd Prior	1.233	0.970	1.034	0.979	1.030	1.000	1.000	1.000	1.000	
1st Prior	1.129	1.041	1.033	1.000	1.000	1.000	1.000	1.000	1.000	
Latest	1.163	0.998	0.990	1.011	1.000	1.000	1.000	1.000	1.000	
Volume Weighted 4 Yr Mean	1.226	1.008	1.012	0.987	1.012	1.000	1.000	1.000	1.000	
Countrywide selected:	1.292	1.149	1.075	1.033	1.016	1.005	1.002	1.001	1.001	
Loss Development Period (months):	15 - 123	27 - 123	39 - 123	51 - 123	63 - 123	75 - 123	87 - 123	99 - 123	111 - 123	
Loss Development Factor:	1.690	1.308	1.138	1.059	1.025	1.009	1.004	1.002	1.001	

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Exhibit 6.1.b

Incurred Loss + ALAE Development Factors - Unlimited Bodily Injury

Fiscal Accident										
<u>Year Ending</u>	<u>15 Months</u>	<u>27 Months</u>	<u>39 Months</u>	<u>51 Months</u>	<u>63 Months</u>	<u>75 Months</u>	<u>87 Months</u>	<u>99 Months</u>	<u>111 Months</u>	<u>123 Months</u>
3/31/2000								1,574,521	1,574,521	1,574,521
3/31/2001							2,313,377	2,313,377	2,313,377	2,313,377
3/31/2002						2,017,132	2,019,654	2,019,721	2,019,721	2,019,721
3/31/2003					1,044,364	1,019,364	1,019,439	1,019,439	1,019,439	1,019,439
3/31/2004				665,139	665,687	665,687	665,687	665,687	665,687	
3/31/2005			2,863,833	2,784,124	2,740,660	2,789,128	2,789,005	2,789,005		
3/31/2006		1,879,539	2,153,327	2,148,104	2,127,333	2,127,333	2,127,333			
3/31/2007	462,927	717,465	807,804	831,745	831,745	831,745				
3/31/2008	584,540	796,795	773,118	798,961	807,496					
3/31/2009	572,114	705,602	734,424	727,283						
3/31/2010	622,427	737,872	736,657							
3/31/2011	399,043	464,261								
3/31/2012	175,430									
				Link Ratios						
<u>Development</u>	<u>15 to 27</u>	<u>27 to 39</u>	<u>39 to 51</u>	<u>51 to 63</u>	<u>63 to 75</u>	<u>75 to 87</u>	<u>87 to 99</u>	<u>99 to 111</u>	<u>111 to 123</u>	
4th Prior	1.550	1.146	0.972	1.001	0.976	1.001	1.000	1.000	1.000	
3rd Prior	1.363	1.126	0.998	0.984	1.000	1.000	1.000	1.000	1.000	
2nd Prior	1.233	0.970	1.030	0.990	1.018	1.000	1.000	1.000	1.000	
1st Prior	1.185	1.041	1.033	1.000	1.000	1.000	1.000	1.000	1.000	
Latest	1.163	0.998	0.990	1.011	1.000	1.000	1.000	1.000	1.000	
Volume Weighted 4 Yr Mean	1.242	1.032	1.008	0.992	1.008	1.000	1.000	1.000	1.000	
Countrywide Selected:	1.329	1.184	1.089	1.039	1.025	1.005	1.004	1.001	1.001	
Loss Development Period (months):	15 - 123	27 - 123	39 - 123	51 - 123	63 - 123	75 - 123	87 - 123	99 - 123	111 - 123	
Loss Development Factor:	1.845	1.388	1.173	1.077	1.036	1.011	1.006	1.002	1.001	

Encompass Insurance Group
Private Passenger Auto
Arkansas

Exhibit 6.2

Incurred Loss + ALAE Development Factors - Property Damage

Fiscal Accident										
<u>Year Ending</u>	<u>15 Months</u>	<u>27 Months</u>	<u>39 Months</u>	<u>51 Months</u>	<u>63 Months</u>	<u>75 Months</u>	<u>87 Months</u>	<u>99 Months</u>	<u>111 Months</u>	<u>123 Months</u>
3/31/2000								1,144,186	1,144,186	1,144,186
3/31/2001							1,353,911	1,353,911	1,353,911	1,353,911
3/31/2002						1,225,635	1,225,635	1,225,635	1,225,635	1,225,635
3/31/2003					989,896	989,896	989,896	989,896	989,896	989,896
3/31/2004				486,618	486,618	486,618	486,618	486,618	486,618	
3/31/2005			365,890	366,144	366,144	366,144		366,144		
3/31/2006		386,535	383,480	385,228	385,228	385,228	385,228			
3/31/2007	455,800	468,422	468,560	468,560	468,560	468,560				
3/31/2008	448,788	472,636	472,636	464,036	464,036					
3/31/2009	393,688	417,516	417,516	417,516						
3/31/2010	513,396	521,738	521,738							
3/31/2011	360,875	411,758								
3/31/2012	218,525									
				Link Ratios						
<u>Development</u>	<u>15 to 27</u>	<u>27 to 39</u>	<u>39 to 51</u>	<u>51 to 63</u>	<u>63 to 75</u>	<u>75 to 87</u>	<u>87 to 99</u>	<u>99 to 111</u>	<u>111 to 123</u>	
4th Prior	1.028	0.992	1.001	1.000	1.000	1.000	1.000	1.000	1.000	
3rd Prior	1.053	1.000	1.005	1.000	1.000	1.000	1.000	1.000	1.000	
2nd Prior	1.061	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	
1st Prior	1.016	1.000	0.982	1.000	1.000	1.000	1.000	1.000	1.000	
Latest	1.141	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	
Volume Weighted 4 Yr Mean	1.062	1.000	0.996	1.000	1.000	1.000	1.000	1.000	1.000	
Countrywide Selected:	1.067	1.007	1.002	1.000	1.000	1.000	1.000	1.000	1.000	
Loss Development Period (months):	<u>15 - 123</u>	<u>27 - 123</u>	<u>39 - 123</u>	<u>51 - 123</u>	<u>63 - 123</u>					
Loss Development Factor:	1.077	1.009	1.002	1.000	1.000					

Encompass Insurance Group
Private Passenger Auto
Arkansas

Exhibit 6.3

Incurred Loss + ALAE Development Factors - Medical Payments

Fiscal Accident										
<u>Year Ending</u>	<u>15 Months</u>	<u>27 Months</u>	<u>39 Months</u>	<u>51 Months</u>	<u>63 Months</u>	<u>75 Months</u>	<u>87 Months</u>	<u>99 Months</u>	<u>111 Months</u>	<u>123 Months</u>
3/31/2000								15,831	15,831	15,831
3/31/2001							11,202	11,202	11,202	11,202
3/31/2002						2,774	2,774	2,774	2,774	2,774
3/31/2003					16,334	16,334	16,334	16,334	16,334	16,334
3/31/2004				5,615	5,615	5,615	5,615	5,615	5,615	
3/31/2005			5,299	5,299	5,299	5,299	5,299	5,299		
3/31/2006		5,418	5,418	5,418	5,418	5,418	5,418			
3/31/2007	2,561	7,596	2,596	2,596	2,596	2,596				
3/31/2008	0	3,814	3,814	8,813	5,366					
3/31/2009	59,327	64,042	64,042	65,250						
3/31/2010	5,000	10,555	10,555							
3/31/2011	5,000	15,000								
3/31/2012	1,065									
				Link Ratios						
<u>Development</u>	<u>15 to 27</u>	<u>27 to 39</u>	<u>39 to 51</u>	<u>51 to 63</u>	<u>63 to 75</u>	<u>75 to 87</u>	<u>87 to 99</u>	<u>99 to 111</u>	<u>111 to 123</u>	
4th Prior	2.966	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	
3rd Prior	1.000	0.342	1.000	1.000	1.000	1.000	1.000	1.000	1.000	
2nd Prior	1.079	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	
1st Prior	2.111	1.000	2.311	1.000	1.000	1.000	1.000	1.000	1.000	
Latest	3.000	1.000	1.019	0.609	1.000	1.000	1.000	1.000	1.000	
Volume Weighted 4 Yr Mean	1.347	0.942	1.082	0.844	1.000	1.000	1.000	1.000	1.000	
Countrywide Selected:	1.012	1.001	1.000	0.997	1.000	1.000	1.000	1.000	1.000	
Loss Development Period (months):	<u>15 - 123</u>	<u>27 - 123</u>	<u>39 - 123</u>	<u>51 - 123</u>	<u>63 - 123</u>					
Loss Development Factor:	1.010	0.998	0.997	0.997	1.000					

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Private Passenger Auto
Arkansas

Exhibit 6.4.a

Incurred Loss + ALAE Development Factors - Limited UM + UIM

Fiscal Accident										
<u>Year Ending</u>	<u>15 Months</u>	<u>27 Months</u>	<u>39 Months</u>	<u>51 Months</u>	<u>63 Months</u>	<u>75 Months</u>	<u>87 Months</u>	<u>99 Months</u>	<u>111 Months</u>	<u>123 Months</u>
3/31/2000								361,197	361,197	361,197
3/31/2001							468,620	468,620	480,620	480,620
3/31/2002						313,407	313,407	313,407	313,407	313,407
3/31/2003					548,296	548,296	548,296	548,296	548,296	548,296
3/31/2004				499,014	501,754	494,524	523,924	523,924	523,924	
3/31/2005			131,702	131,702	156,505	156,505	156,505	156,505		
3/31/2006		26,754	26,754	26,754	26,754	26,754	26,754			
3/31/2007	81,749	104,688	104,688	79,688	79,688	79,688				
3/31/2008	195,307	290,353	266,944	290,432	267,164					
3/31/2009	325,717	350,736	325,870	316,883						
3/31/2010	156,122	200,212	200,212							
3/31/2011	64,639	81,111								
3/31/2012	60,920									
				Link Ratios						
<u>Development</u>	<u>15 to 27</u>	<u>27 to 39</u>	<u>39 to 51</u>	<u>51 to 63</u>	<u>63 to 75</u>	<u>75 to 87</u>	<u>87 to 99</u>	<u>99 to 111</u>	<u>111 to 123</u>	
4th Prior	1.281	1.000	1.000	1.005	1.000	1.000	1.000	1.000	1.000	
3rd Prior	1.487	1.000	1.000	1.188	0.986	1.000	1.000	1.026	1.000	
2nd Prior	1.077	0.919	0.761	1.000	1.000	1.059	1.000	1.000	1.000	
1st Prior	1.282	0.929	1.088	1.000	1.000	1.000	1.000	1.000	1.000	
Latest	1.255	1.000	0.972	0.920	1.000	1.000	1.000	1.000	1.000	
Volume Weighted 4 Yr Mean	1.244	0.949	0.986	1.003	0.991	1.024	1.000	1.006	1.000	
Countrywide Selected:	1.302	1.138	1.075	1.037	1.020	1.013	1.008	1.004	1.001	
Loss Development Period (months):	15 - 123	27 - 123	39 - 123	51 - 123	63 - 123	75 - 123	87 - 123	99 - 123	111 - 123	
Loss Development Factor:	1.729	1.328	1.167	1.085	1.047	1.026	1.013	1.005	1.001	

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Private Passenger Auto
Arkansas

Exhibit 6.4.b

Incurred Loss + ALAE Development Factors - Unlimited UM + UIM

Fiscal Accident										
<u>Year Ending</u>	<u>15 Months</u>	<u>27 Months</u>	<u>39 Months</u>	<u>51 Months</u>	<u>63 Months</u>	<u>75 Months</u>	<u>87 Months</u>	<u>99 Months</u>	<u>111 Months</u>	<u>123 Months</u>
3/31/2000								361,197	361,197	361,197
3/31/2001							468,620	468,620	480,620	480,620
3/31/2002						313,407	313,407	313,407	313,407	313,407
3/31/2003					598,296	598,296	598,296	598,296	598,296	598,296
3/31/2004				499,014	501,754	494,524	523,924	523,924	523,924	
3/31/2005			131,702	131,702	156,505	156,505	156,505	156,505		
3/31/2006		26,754	26,754	26,754	26,754	26,754	26,754			
3/31/2007	81,749	104,688	104,688	79,688	79,688	79,688				
3/31/2008	195,307	290,353	266,944	290,432	267,164					
3/31/2009	325,717	350,736	325,870	316,883						
3/31/2010	306,122	350,212	350,212							
3/31/2011	64,639	81,111								
3/31/2012	60,920									
				Link Ratios						
<u>Development</u>	<u>15 to 27</u>	<u>27 to 39</u>	<u>39 to 51</u>	<u>51 to 63</u>	<u>63 to 75</u>	<u>75 to 87</u>	<u>87 to 99</u>	<u>99 to 111</u>	<u>111 to 123</u>	
4th Prior	1.281	1.000	1.000	1.005	1.000	1.000	1.000	1.000	1.000	
3rd Prior	1.487	1.000	1.000	1.188	0.986	1.000	1.000	1.026	1.000	
2nd Prior	1.077	0.919	0.761	1.000	1.000	1.059	1.000	1.000	1.000	
1st Prior	1.144	0.929	1.088	1.000	1.000	1.000	1.000	1.000	1.000	
Latest	1.255	1.000	0.972	0.920	1.000	1.000	1.000	1.000	1.000	
Volume Weighted 4 Yr Mean	1.203	0.956	0.986	1.003	0.991	1.023	1.000	1.006	1.000	
Countrywide Selected:	1.332	1.144	1.096	1.051	1.019	1.018	1.009	1.006	1.001	
Loss Development Period (months):	15 - 123	27 - 123	39 - 123	51 - 123	63 - 123	75 - 123	87 - 123	99 - 123	111 - 123	
Loss Development Factor:	1.850	1.389	1.214	1.108	1.054	1.034	1.016	1.007	1.001	

Encompass Insurance Group
Private Passenger Auto
Arkansas

Exhibit 6.5

Paid Loss + ALAE Development Factors - Collision

Fiscal Accident										
<u>Year Ending</u>	<u>15 Months</u>	<u>27 Months</u>	<u>39 Months</u>	<u>51 Months</u>	<u>63 Months</u>	<u>75 Months</u>	<u>87 Months</u>	<u>99 Months</u>	<u>111 Months</u>	<u>123 Months</u>
3/31/2000								1,456,923	1,456,923	1,456,923
3/31/2001							2,342,286	2,342,286	2,342,286	2,342,286
3/31/2002						1,540,405	1,540,405	1,540,405	1,540,405	1,540,405
3/31/2003					1,098,597	1,098,597	1,098,597	1,098,597	1,098,597	1,098,597
3/31/2004				708,525	708,525	708,525	708,525	708,525	708,525	
3/31/2005			556,400	556,212	556,212	556,212	556,224	556,224		
3/31/2006		561,968	561,972	561,972	561,972	561,972	561,972			
3/31/2007	655,257	643,923	644,113	643,938	643,728	643,536				
3/31/2008	573,449	550,635	550,635	550,365	550,125					
3/31/2009	592,373	592,575	593,518	593,853						
3/31/2010	706,453	695,113	694,805							
3/31/2011	422,743	408,249								
3/31/2012	253,706									
				Link Ratios						
<u>Development</u>	<u>15 to 27</u>	<u>27 to 39</u>	<u>39 to 51</u>	<u>51 to 63</u>	<u>63 to 75</u>	<u>75 to 87</u>	<u>87 to 99</u>	<u>99 to 111</u>	<u>111 to 123</u>	
4th Prior	0.983	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	
3rd Prior	0.960	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	
2nd Prior	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	
1st Prior	0.984	1.002	1.000	1.000	1.000	1.000	1.000	1.000	1.000	
Latest	0.966	1.000	1.001	1.000	1.000	1.000	1.000	1.000	1.000	
Volume Weighted 4 Yr Mean	0.979	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	
Countrywide Selected:	0.978	0.999	1.000	1.000	1.000	1.000	1.000	1.000	1.000	
Loss Development Period (months):	<u>15 - 123</u>	<u>27 - 123</u>	<u>39 - 123</u>	<u>51 - 123</u>	<u>63 - 123</u>					
Loss Development Factor:	0.977	0.999	1.000	1.000	1.000					

Encompass Insurance Group
Private Passenger Auto
Arkansas

Exhibit 6.6

Paid Loss + ALAE Development Factors - Comprehensive

Fiscal Accident										
<u>Year Ending</u>	<u>15 Months</u>	<u>27 Months</u>	<u>39 Months</u>	<u>51 Months</u>	<u>63 Months</u>	<u>75 Months</u>	<u>87 Months</u>	<u>99 Months</u>	<u>111 Months</u>	<u>123 Months</u>
3/31/2000								771,522	771,522	771,522
3/31/2001							1,055,986	1,056,044	1,056,044	1,056,044
3/31/2002						959,662	959,662	959,662	959,662	959,662
3/31/2003					652,021	652,021	652,021	652,021	652,021	652,021
3/31/2004				492,929	492,929	492,929	492,894	492,894	492,894	
3/31/2005			216,445	216,499	216,499	216,499	216,499	216,499		
3/31/2006		202,458	202,721	202,756	202,756	202,756	202,756			
3/31/2007	269,010	271,096	271,096	271,096	271,326	271,326				
3/31/2008	285,061	295,269	295,269	295,269	295,269					
3/31/2009	326,761	330,891	330,338	330,338						
3/31/2010	308,443	310,149	310,149							
3/31/2011	139,719	139,241								
3/31/2012	165,217									
				Link Ratios						
<u>Development</u>	<u>15 to 27</u>	<u>27 to 39</u>	<u>39 to 51</u>	<u>51 to 63</u>	<u>63 to 75</u>	<u>75 to 87</u>	<u>87 to 99</u>	<u>99 to 111</u>	<u>111 to 123</u>	
4th Prior	1.008	1.001	1.000	1.000	1.000	1.000	1.000	1.000	1.000	
3rd Prior	1.036	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	
2nd Prior	1.013	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	
1st Prior	1.006	0.998	1.000	1.001	1.000	1.000	1.000	1.000	1.000	
Latest	0.997	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	
Volume Weighted 4 Yr Mean	1.015	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	
Selected:	1.008	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	
Loss Development Period (months):	<u>15 - 123</u>	<u>27 - 123</u>	<u>39 - 123</u>	<u>51 - 123</u>	<u>63 - 123</u>					
Loss Development Factor:	1.008	1.000	1.000	1.000	1.000					

Encompass Insurance Group
Private Passenger Auto
Arkansas

Exhibit 7

Excess Loss Provision

BODILY INJURY

Fiscal Accident Year Ending	Ultimate Total Ex-Cat Losses + ALAE	Ultimate Limited Ex-Cat Losses + ALAE	Total/Limited
3/31/2003	1,019,439	1,019,439	1.00
3/31/2004	666,353	666,353	1.00
3/31/2005	2,794,582	1,649,569	1.69
3/31/2006	2,140,097	981,242	2.18
3/31/2007	840,895	743,377	1.13
3/31/2008	836,567	827,684	1.01
3/31/2009	783,284	770,193	1.02
3/31/2010	864,100	798,487	1.08
3/31/2011	644,396	607,255	1.06
3/31/2012	323,667	296,475	1.09
Weighted Average			1.31
Straight Average			1.23
Selected			1.23

UNINSURED / UNDERINSURED MOTORIST

Fiscal Accident Year Ending	Ultimate Total Ex-Cat Losses + ALAE	Ultimate Limited Ex-Cat Losses + ALAE	Total/Limited
3/31/2003	598,296	548,296	1.09
3/31/2004	524,448	524,448	1.00
3/31/2005	157,602	157,289	1.00
3/31/2006	27,182	27,102	1.00
3/31/2007	82,396	81,759	1.01
3/31/2008	281,591	279,721	1.01
3/31/2009	351,106	343,818	1.02
3/31/2010	425,157	233,647	1.82
3/31/2011	112,663	107,715	1.05
3/31/2012	112,700	105,329	1.07
Weighted Average			1.11
Straight Average			1.11
Selected			1.11

Encompass Insurance Group
Private Passenger Auto
Arkansas

Exhibit 8.A

Calculation of Pure Premium Trend Factor

<u>Coverage</u>	<u>Selected Annual Pure Premium Impacts</u>	
	<u>Historical</u>	<u>Projected</u>
Bodily Injury	0.00%	0.00%
Property Damage	0.00%	0.00%
Medical Payments	0.00%	0.00%
Uninsured / Underinsured Motorist	0.00%	0.00%
Collision	0.00%	0.00%
Comprehensive	0.00%	0.00%

	<u>Calculation of Trend Period</u>				
	<u>4th Prior Year</u>	<u>3rd Prior Year</u>	<u>2nd Prior Year</u>	<u>1st Prior Year</u>	<u>Current Year</u>
1) Loss Trend Projection Date	6/14/2014	6/14/2014	6/14/2014	6/14/2014	6/14/2014
2) Mid-Point of Current Year's Experience Period	9/30/2011	9/30/2011	9/30/2011	9/30/2011	9/30/2011
3) Experience Period Ended	3/31/2008	3/31/2009	3/31/2010	3/31/2011	3/31/2012
4) Midpoint of Experience Period	9/30/2007	9/30/2008	9/30/2009	9/30/2010	9/30/2011
5) Historical: Number of Years from (4) to (2)	4.000	3.000	2.000	1.000	0.000
6) Projected: Number of Years from (2) to (1)	2.704	2.704	2.704	2.704	2.704

<u>Coverage</u>	<u>Factor to Adjust Losses for Pure Premium Trend</u>				
	<u>4th Prior Year</u>	<u>3rd Prior Year</u>	<u>2nd Prior Year</u>	<u>1st Prior Year</u>	<u>Current Year</u>
Bodily Injury	1.000	1.000	1.000	1.000	1.000
Property Damage	1.000	1.000	1.000	1.000	1.000
Medical Payments	1.000	1.000	1.000	1.000	1.000
Uninsured / Underinsured Motorist	1.000	1.000	1.000	1.000	1.000
Collision	1.000	1.000	1.000	1.000	1.000
Comprehensive	1.000	1.000	1.000	1.000	1.000

(a) Historical Pure Premium Factors are the Annual Historical Impacts plus unity compounded for the number of years in (5)

(b) Projected Pure Premium Factors are the Annual Projected Impacts plus unity compounded for the number of years in (6)

(c) Factor to Adjust Losses for Pure Premium Trend = (a) x (b)

Encompass Insurance Group
Private Passenger Auto
Arkansas

Exhibit 8.B.1

Pure Premium Loss Trends - Bodily Injury

Year Ending	Actual Paid Pure Premium	Annual % Change	Exponential Curve of Best Fit (\$)		
			20 pt.	12 pt.	6 pt.
09/06	\$247.11	37.9			
12/06	232.99	36.8			
03/07	214.68	46.2			
06/07	89.57	-68.3			
09/07	139.45	-43.6	136.11		
12/07	137.16	-41.1	135.25		
03/08	146.64	-31.7	134.39		
06/08	142.41	59.0	133.54		
09/08	80.39	-42.4	132.69		
12/08	104.36	-23.9	131.84		
03/09	108.74	-25.9	131.01		
06/09	113.10	-20.6	130.17		
09/09	155.38	93.3	129.35	181.21	
12/09	160.20	53.5	128.52	171.60	
03/10	152.51	40.3	127.71	162.51	
06/10	157.95	39.7	126.90	153.89	
09/10	163.77	5.4	126.09	145.73	
12/10	145.25	-9.3	125.29	138.01	
03/11	159.33	4.5	124.49	130.69	161.84
06/11	153.60	-2.8	123.70	123.77	141.57
09/11	107.09	-34.6	122.91	117.20	123.84
12/11	109.95	-24.3	122.13	110.99	108.33
03/12	110.96	-30.4	121.36	105.11	94.76
06/12	75.50	-50.9	120.59	99.54	82.89

Regression	20 pt.	12 pt.	6 pt.
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Avg Annual Percent Change Based on Best Fit:	-2.5 %	-19.6 %	-41.4 %
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Encompass Insurance Group
Private Passenger Auto
Arkansas

Exhibit 8.B.2

Pure Premium Loss Trends - Property Damage

Year Ending	Actual Paid Pure Premium	Annual % Change	Exponential Curve of Best Fit (\$)		
			20 pt.	12 pt.	6 pt.
09/06	\$75.05	9.7			
12/06	80.99	16.9			
03/07	83.00	15.6			
06/07	77.76	15.5			
09/07	73.99	-1.4	69.52		
12/07	65.91	-18.6	70.44		
03/08	66.25	-20.2	71.38		
06/08	70.71	-9.1	72.34		
09/08	71.94	-2.8	73.30		
12/08	67.30	2.1	74.28		
03/09	66.05	-0.3	75.27		
06/09	70.35	-0.5	76.27		
09/09	81.42	13.2	77.29	92.04	
12/09	91.53	36.0	78.32	90.95	
03/10	96.04	45.4	79.37	89.86	
06/10	91.78	30.5	80.43	88.79	
09/10	96.38	18.4	81.50	87.74	
12/10	89.03	-2.7	82.59	86.69	
03/11	88.29	-8.1	83.69	85.66	82.58
06/11	79.91	-12.9	84.81	84.64	82.23
09/11	73.33	-23.9	85.94	83.63	81.88
12/11	85.26	-4.2	87.09	82.64	81.53
03/12	82.98	-6.0	88.25	81.65	81.19
06/12	81.29	1.7	89.43	80.68	80.84

Regression	20 pt.	12 pt.	6 pt.
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Avg Annual Percent Change Based on Best Fit:	5.4 %	-4.7 %	-1.7 %
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Encompass Insurance Group
Private Passenger Auto
Arkansas

Exhibit 8.B.3

Pure Premium Loss Trends - Collision

Year Ending	Actual Paid Pure Premium	Annual % Change	Exponential Curve of Best Fit (\$)		
			20 pt.	12 pt.	6 pt.
09/06	\$131.30	3.1			
12/06	141.00	17.3			
03/07	141.65	4.4			
06/07	143.60	8.0			
09/07	132.65	1.0	143.32		
12/07	118.76	-15.8	142.50		
03/08	126.14	-11.0	141.68		
06/08	119.97	-16.5	140.87		
09/08	131.08	-1.2	140.06		
12/08	136.80	15.2	139.26		
03/09	132.68	5.2	138.47		
06/09	131.65	9.7	137.67		
09/09	155.71	18.8	136.89	195.52	
12/09	166.21	21.5	136.10	184.17	
03/10	178.35	34.4	135.32	173.47	
06/10	182.57	38.7	134.55	163.40	
09/10	181.65	16.7	133.78	153.91	
12/10	162.33	-2.3	133.02	144.97	
03/11	148.48	-16.8	132.25	136.55	150.28
06/11	142.63	-21.9	131.50	128.62	135.44
09/11	114.72	-36.9	130.75	121.15	122.06
12/11	114.94	-29.2	130.00	114.11	110.01
03/12	94.44	-36.4	129.25	107.48	99.14
06/12	91.80	-35.6	128.51	101.24	89.35

Regression	20 pt.	12 pt.	6 pt.
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Avg Annual Percent Change Based on Best Fit:	-2.3 %	-21.3 %	-34.0 %
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Encompass Insurance Group
Private Passenger Auto
Arkansas

Exhibit 8.B.4

Pure Premium Loss Trends - Comprehensive

Year Ending	Actual Paid Pure Premium	Annual % Change	Exponential Curve of Best Fit (\$)		
			20 pt.	12 pt.	6 pt.
09/06	\$50.41	22.2			
12/06	45.60	-7.9			
03/07	58.24	31.9			
06/07	61.02	43.1			
09/07	62.79	24.6	69.64		
12/07	66.99	46.9	69.18		
03/08	56.03	-3.8	68.72		
06/08	67.36	10.4	68.26		
09/08	62.01	-1.2	67.81		
12/08	70.04	4.6	67.35		
03/09	80.90	44.4	66.91		
06/09	66.65	-1.1	66.46		
09/09	84.90	36.9	66.02	76.46	
12/09	81.33	16.1	65.58	74.19	
03/10	81.09	0.2	65.14	71.98	
06/10	80.86	21.3	64.71	69.84	
09/10	60.65	-28.6	64.27	67.76	
12/10	52.94	-34.9	63.85	65.75	
03/11	45.65	-43.7	63.42	63.79	47.52
06/11	52.76	-34.8	63.00	61.89	51.41
09/11	53.23	-12.2	62.58	60.05	55.61
12/11	63.97	20.8	62.16	58.27	60.15
03/12	72.31	58.4	61.75	56.53	65.07
06/12	63.12	19.6	61.34	54.85	70.39

<u>Regression</u>	<u>20 pt.</u>	<u>12 pt.</u>	<u>6 pt.</u>
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Avg Annual Percent Change Based on Best Fit:	-2.6 %	-11.4 %	36.9 %
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National Association of Independent Insurers
Private Passenger Auto
Arkansas

Exhibit 8.C.1

Pure Premium Loss Trends - Bodily Injury

Year Ending	Actual Paid Pure Premium	Annual % Change	Exponential Curve of Best Fit (\$)		
			20 pt.	12 pt.	6 pt.
09/06	\$73.68	25.2			
12/06	72.20	71.3			
03/07	132.29	-10.9			
06/07	101.34	6.2	108.81		
09/07	101.25	37.4	110.61		
12/07	104.84	45.2	112.44		
03/08	127.17	-3.9	114.31		
06/08	114.65	13.1	116.20		
09/08	109.66	8.3	118.12		
12/08	113.18	8.0	120.08		
03/09	128.91	1.4	122.07		
06/09	138.64	20.9	124.09	139.62	
09/09	143.00	30.4	126.15	139.38	
12/09	138.35	22.2	128.23	139.13	
03/10	150.72	16.9	130.36	138.89	
06/10	139.09	0.3	132.52	138.65	
09/10	130.26	-8.9	134.71	138.40	
12/10	129.98	-6.1	136.94	138.16	130.65
03/11	131.50	-12.8	139.21	137.92	133.04
06/11	137.65	-1.0	141.52	137.68	135.47
09/11	138.90	6.6	143.86	137.44	137.95
12/11	141.99	9.2	146.24	137.20	140.47
03/12	140.66	7.0	148.67	136.96	143.04
<u>Regression</u>			20 pt.	12 pt.	6 pt.
Avg Annual Percent Change Based on Best Fit:			6.8 %	-0.7 %	7.5 %

National Association of Independent Insurers
Private Passenger Auto
Arkansas

Exhibit 8.C.2

Pure Premium Loss Trends - Property Damage

Year Ending	Actual Paid Pure Premium	Annual % Change	Exponential Curve of Best Fit (\$)		
			20 pt.	12 pt.	6 pt.
09/06	\$87.11	1.1			
12/06	87.61	9.5			
03/07	89.64	1.2			
06/07	88.17	0.9	95.14		
09/07	87.11	0.0	95.36		
12/07	90.38	3.2	95.59		
03/08	95.16	6.2	95.82		
06/08	95.92	8.8	96.05		
09/08	99.91	14.7	96.28		
12/08	101.07	11.8	96.51		
03/09	102.88	8.1	96.74		
06/09	104.91	9.4	96.97	104.78	
09/09	104.45	4.5	97.20	103.70	
12/09	104.78	3.7	97.44	102.63	
03/10	101.48	-1.4	97.67	101.57	
06/10	98.53	-6.1	97.90	100.52	
09/10	97.90	-6.3	98.14	99.48	
12/10	96.79	-7.6	98.37	98.45	97.89
03/11	98.34	-3.1	98.61	97.43	97.15
06/11	97.39	-1.2	98.84	96.43	96.41
09/11	94.70	-3.3	99.08	95.43	95.68
12/11	94.81	-2.1	99.32	94.44	94.96
03/12	94.33	-4.1	99.55	93.47	94.24
<u>Regression</u>			20 pt.	12 pt.	6 pt.
Avg Annual Percent Change Based on Best Fit:			1.0 %	-4.1 %	-3.0 %

National Association of Independent Insurers
Private Passenger Auto
Arkansas

Exhibit 8.C.3

Pure Premium Loss Trends - Collision

Year Ending	Actual Paid Pure Premium	Annual % Change	Exponential Curve of Best Fit (\$)		
			20 pt.	12 pt.	6 pt.
09/06	\$67.65	87.4			
12/06	73.75	107.8			
03/07	111.89	183.2			
06/07	87.07	72.0	111.01		
09/07	103.39	38.2	111.40		
12/07	110.70	69.2	111.80		
03/08	124.87	-21.9	112.19		
06/08	124.32	21.3	112.59		
09/08	112.90	27.9	112.99		
12/08	109.63	15.5	113.39		
03/09	121.26	18.3	113.79		
06/09	120.21	10.6	114.19	124.78	
09/09	125.14	10.6	114.59	123.39	
12/09	129.04	21.3	115.00	122.02	
03/10	142.57	-11.5	115.40	120.66	
06/10	123.29	-5.3	115.81	119.31	
09/10	114.70	-3.6	116.22	117.98	
12/10	103.17	-11.5	116.63	116.67	96.10
03/11	109.28	0.1	117.04	115.37	101.31
06/11	97.21	-2.5	117.46	114.08	106.80
09/11	98.06	-4.5	117.87	112.81	112.58
12/11	107.45	-1.4	118.29	111.56	118.68
03/12	150.50	7.4	118.71	110.31	125.10
<u>Regression</u>			20 pt.	12 pt.	6 pt.
Avg Annual Percent Change Based on Best Fit:			1.4 %	-4.4 %	23.5 %

National Association of Independent Insurers
Private Passenger Auto
Arkansas

Exhibit 8.C.4

Pure Premium Loss Trends - Comprehensive

Year Ending	Actual Paid Pure Premium	Annual % Change	Exponential Curve of Best Fit (\$)		
			20 pt.	12 pt.	6 pt.
09/06	\$22.64	-3.5			
12/06	19.51	-8.0			
03/07	54.45	0.2			
06/07	33.95	0.6	37.20		
09/07	31.29	-0.1	37.62		
12/07	33.01	6.4	38.04		
03/08	42.52	9.6	38.47		
06/08	41.17	9.6	38.90		
09/08	40.02	8.6	39.34		
12/08	38.11	8.1	39.79		
03/09	50.29	4.1	40.23		
06/09	45.55	4.0	40.69	44.70	
09/09	44.26	1.2	41.14	44.48	
12/09	46.21	-4.9	41.61	44.26	
03/10	44.49	-12.1	42.08	44.04	
06/10	43.14	-13.0	42.55	43.82	
09/10	42.68	-10.5	43.03	43.61	
12/10	40.89	-7.7	43.52	43.40	41.29
03/11	44.52	0.0	44.01	43.18	41.83
06/11	42.05	-1.0	44.50	42.97	42.37
09/11	40.77	0.6	45.00	42.76	42.93
12/11	40.33	1.2	45.51	42.55	43.49
03/12	47.82	-3.2	46.02	42.34	44.06
<u>Regression</u>			<u>20 pt.</u>	<u>12 pt.</u>	<u>6 pt.</u>
Avg Annual Percent Change Based on Best Fit:			4.6 %	-2.0 %	5.3 %

Encompass Insurance Group
Private Passenger Auto
Arkansas

Exhibit 9

Catastrophe Insurance Losses - Comprehensive

<u>Accident Year</u>	<u>Arkansas</u>		<u>Incurred Losses Excluding Catastrophes</u>
	<u>Total Incurred Losses</u>	<u>Catastrophe Losses</u>	
1988	166,983	0	166,983
1989	474,358	185,136	289,222
1990	216,650	12,351	204,299
1991	270,041	37,037	233,004
1992	162,071	12,092	149,979
1993	173,924	4,957	168,967
1994	193,051	7,413	185,638
1995	210,902	22,327	188,575
1996	328,063	78,351	249,712
1997	211,270	42,497	168,773
1998	308,361	5,250	303,111
1999	914,285	204,275	710,010
2000	1,085,777	62,910	1,022,867
2001	1,054,563	38,331	1,016,232
2002	767,092	36,711	730,381
2003	567,999	18,734	549,265
2004	211,839	2,485	209,354
2005	222,793	0	222,793
2006	379,493	124,255	255,238
2007	296,155	12,230	283,925
2008	576,745	262,262	314,483
2009	408,755	73,755	335,000
2010	159,606	5,992	153,614
2011	432,832	261,604	171,228
		\$1,510,955	\$8,282,653

Selected Catastrophe Provision:

18.3%

Encompass Insurance Group
Private Passenger Auto
Arkansas

Exhibit 10.1

Summary of Expense Provisions

	Liability Expense Provision				Uninsured / Underinsured Motorist
	Percent Fixed	Bodily Injury	Property Damage	Medical Payments	
Commissions	0 %	14.3 %	14.3 %	14.3 %	14.3 %
Taxes †	0	3.1	3.1	3.1	3.1
Licenses and Fees	100	0.2	0.2	0.2	0.2
Other Acquisition	100	1.1	1.1	1.1	1.1
General Expense	100	8.4	8.4	8.4	8.4
Profit Provision	0	5.8	5.8	5.8	5.8
Debt Provision	0	1.4	1.4	1.4	1.4

	Physical Damage Expense Provision		
	Percent Fixed	Collision	Comprehensive
Commissions	0 %	14.3 %	14.3 %
Taxes †	0	3.1	3.1
Licenses and Fees	100	0.2	0.2
Other Acquisition	100	1.1	1.1
General Expense	100	8.4	8.4
Profit Provision	0	10.0	10.0
Debt Provision	0	1.4	1.4

† State Taxes - Does not include Federal Income Tax

Encompass Insurance Group
Private Passenger Auto
Arkansas

Exhibit 10.2

Factor to Adjust for Subsequent Change in Fixed Expense*

1) Average Earned Date of Experience Period	6/30/2010
2) Average Earned Date of Proposed Policy Period	6/14/2014
3) Number of Years from (1) to (2)	4.0
4) Selected Annual Impact	2.30 %
5) Factor to Adjust for Subsequent Change in Fixed Expense = [1 + (4)] ^ (3)	1.094

*For calendar years 2009-2011

Encompass Insurance Group
Private Passenger Automobile
Arkansas

Exhibit 11.1

Investment Income - Liability Coverages

Calculation of Present Value, as of the Average Earning Date of a Policy Year, of all Income
and Outgo @ 2.6% †force of interest, assuming an Operating Profit of 7.00% and twelve
month Policy Terms

<u>Years From Start of Policy Year</u>	<u>Cumulative Percent of Losses Paid</u>	<u>Yearly Percent of Losses Paid</u>	<u>Time from Start of Policy Year</u>	<u>Discounted‡ to Average Time of Profit @ 2.6%</u>	<u>Discour Payme</u>
1	13.7 %	13.7 %	0.69	1.008	13.8
2	49.5	35.8	1.39	0.990	35.4
3	68.4	18.9	2.46	0.963	18.2
4	81.0	12.6	3.47	0.938	11.8
5	90.4	9.4	4.46	0.914	8.6
6	95.6	5.2	5.45	0.891	4.6
Subsequent	100.0	4.4	7.44	0.846	3.7
Total					96.1
Expected Losses and Loss Expense Ratio					65.8
Present Value of Loss and Loss Expense Payments					63.2
General Expense		8.4 %	0.75	1.007	8.5
Other Acquisition		1.1 %	0.63	1.010	1.1
Taxes		3.1 %	0.63	1.010	3.1
Licenses and Fees		0.2 %	0.63	1.010	0.2
Commissions		14.3 %	0.58	1.011	14.5
Debt Provision		1.4 %	1.00	1.000	1.4
Profit		5.8 %	1.00	1.000	5.8
Total Present Value of Outgo					97.8
Premiums		100.0 %	0.60	1.010	101.0
Difference, Present Value of Income Less Present Value of Outgo					3.2

†Discount rate from Investment Department forecast

‡exp (force of interest x (timing of profit being earned – timing of cash flow))

Encompass Insurance Group
Private Passenger Automobile
Arkansas

Exhibit 11.2

Investment Income - Physical Damage Coverages

Calculation of Present Value, as of the Average Earning Date of a Policy Year, of all Income
and Outgo @ 2.6% †force of interest, assuming an Operating Profit of 7.00% and twelve
month Policy Terms

<u>Years From Start of Policy Year</u>	<u>Cumulative Percent of Losses Paid</u>	<u>Yearly Percent of Losses Paid</u>	<u>Time from Start of Policy Year</u>	<u>Discounted‡ to Average Time of Profit @ 2.6%</u>	<u>Discour Payme</u>
1	49.9 %	49.9 %	0.63	1.010	50.4
2	100.2	50.3	1.15	0.996	50.1
Subsequent	100.0	-0.2	0.00	1.026	-0.2
Total					100.3
Expected Losses and Loss Expense Ratio					61.5
Present Value of Loss and Loss Expense Payments					61.7
General Expense		8.4 %	0.75	1.007	8.5
Other Acquisition		1.1 %	0.63	1.010	1.1
Taxes		3.1 %	0.63	1.010	3.1
Licenses and Fees		0.2 %	0.63	1.010	0.2
Commissions		14.3 %	0.58	1.011	14.5
Debt Provision		1.4 %	1.00	1.000	1.4
Profit		10.0 %	1.00	1.000	10.0
Total Present Value of Outgo					100.5
Premiums		100.0 %	0.60	1.010	101.0
Difference, Present Value of Income Less Present Value of Outgo					0.5

†Discount rate from Investment Department forecast

‡exp (force of interest x (timing of profit being earned – timing of cash flow))

2011 Cost of Equity Update Summary

Allstate's traditional approach to determining the necessary underwriting profit provision begins with two different analyses – the Fama-French Three-factor method (FF3F) and the Discounted Cash Flow method (DCF) – that are performed in order to estimate Allstate's cost of equity capital. The details and reasoning behind this approach can be found in Allstate's paper titled "Development of the Underwriting Profit Provision." Allstate always seeks to utilize sound actuarial and financial theory in its profit provision calculations and has put forth a considerable effort in order to establish an approach that utilizes appropriate methodologies and produces reasonable and meaningful results. However, even the best methodologies require an oversight of actuarial judgment in order to ensure proper application and to know when circumstances require an adjustment. Allstate believes that, due to certain current circumstances, actuarial judgment calls for caution to be used in the interpretation and application of its FF3F and DCF results. Each will be discussed in detail below.

Fama-French

The FF3F approach is similar to the Capital Asset Pricing Model (CAPM) in that it estimates the cost of equity for a given firm by starting with a risk-free rate and adding a risk premium (or risk premiums) to it, relative to the risk of that firm. As such, the result is greatly dependent on the risk-free rate. Allstate's historical risk-premium data is reported relative to the 28-day government bond rate, so in order to be consistent, we have utilized the 28-day government bond rate as the risk-free rate in the FF3F calculations.

Unfortunately, since the financial havoc in the market that began in 2008, the Federal Reserve has been actively and artificially suppressing the short-term interest rates. The table below shows the FF3F calculations for Allstate for the past eleven years. Note that Allstate's risk premium, particularly recently, has not varied greatly over time, whereas the risk-free rate has.

			FF3F
Year	Risk Premium	Risk-free Rate	Cost of Equity
2000	8.7%	5.7%	14.4%
2001	10.1%	5.5%	15.6%
2002	6.9%	5.4%	12.3%
2003	6.7%	3.7%	10.4%
2004	12.7%	1.1%	13.8%
2005	12.2%	2.7%	14.9%
2006	7.8%	4.8%	12.6%
2007	6.5%	5.3%	11.8%
2008	6.7%	1.9%	8.6%
2009	6.9%	0.1%	7.1%
2010	6.8%	0.1%	6.9%

Over the last five years, Allstate's risk premium has remained consistent while the risk-free rate has plummeted, resulting in a large decrease in Allstate's (and other companies') calculated cost of equity. However, there are several reasons why we believe that this is not an accurate reflection of a true risk-free rate, and therefore not an accurate reflection of Allstate's cost of equity. The Federal Reserve has artificially lowered the short-term rate to almost zero in an attempt to encourage borrowing and jump-start the economy. Evidence for this artificial rate suppression can be seen by comparing the difference between the current long-term bond yields and the 28-day bond yield. Historically, the average difference between the long-term bond yield and the 28-day bond yield has been 1.6 percentage points.¹ The current difference is over four percentage points.² In fact, prior to 2009, there have been only two years since 1926 where the difference between the long- and short-term bond yields has been as big as it is right now, and one of those years is 2003, when the Federal Reserve was employing a similar strategy in order to encourage borrowing in the housing market.³ Long-term bond yields are much less impacted by Federal Reserve action because they represent the average short-term bond yield over a longer period of time. While long-term bond yields may contain a small risk premium for liquidity risk, significant difference between the long-term and short-term bond yields suggests that interest rates are expected to rise, and as noted above, the current difference is as big as it's ever been.

As mentioned above, Allstate's risk premium data has typically been calculated relative to the 28-day government bond yield. However, this data can be restated to be relative to a long-term bond yield. In fact, many analysts, including Ibbotson in its Cost of Capital Yearbook, prefer to use long-term bond yields in CAPM or FF3F calculations as the results tend to be smoother and freer from Federal Reserve machinations. Using data through 2010, Allstate's risk premium relative to the 28-day bond yield was 6.8%. When the historical risk premium data is restated to be relative to a long-term government bond yield, Allstate's risk premium drops to 5.4%. Combining this risk premium with a long-term-bond-based risk-free rate, which has been recently hovering around 4%,⁴ results in a cost of equity between 9% and 10%, which is in line with Allstate's historical cost of equity of 10%.

In addition to the interest rate issues, it is worth noting that the value beta within the FF3F methodology has also been on the rise lately:

¹ Source: Ibbotson 2011 SBBI Valuation Yearbook.

² As of year-end 2010: Long-term (4.14%) – Short-term (0.08%) = 4.06%.

³ As of year-end 2010, the difference was 4.06%. In 2003 the difference was 4.09%, and in 1994 the difference was 4.08%. Essentially, the current difference is about as high as it has ever been. For comparison, note that prior to 2009, the difference has only been greater than 3 percentage points nine times since 1926.

⁴ <http://www.treasury.gov/resource-center/data-chart-center/interest-rates/Pages/TextView.aspx?data=yieldYear&year=2011>

Value Risk Component:				
(8)	(9)	(10)	(11)	(12)=(9)+(10)*(11)
Period	Prop/Cas Value Beta	Book-to-Mkt Coefficient	Log Book- to-Market	Value Risk Beta
2006	0.201	0.213	-0.6220	0.069
2007	0.209	0.335	-0.3105	0.105
2008	0.215	0.221	-0.3286	0.142
2009	0.738	0.308	0.0351	0.749
2010	0.975	0.236	0.1029	0.999
			3-yr Avg	0.630
			5-yr Avg	0.413
			Selected	0.630

This suggests that the difference in returns required by “value” stocks compared to “growth” stocks is larger in the current market than it was prior to the recent market crash. The impact of this is muted by Allstate’s use of a three-year average to determine betas in the FF3F calculations. But when considering the future expectation of the FF3F result, it seems likely that Allstate’s risk premium would only increase as this change is further reflected in the data.

In summary, Allstate believes that the 28-day government bond yield is artificially low, and the restatement of Allstate’s data to be relative to the long-term bond yield produces a cost of capital comparable to Allstate’s historical value of 10%. In addition, Allstate’s value beta appears to be on the rise and could be expected to increase in the near future. All of this suggests that a cost of equity of 10% is still appropriate for Allstate.

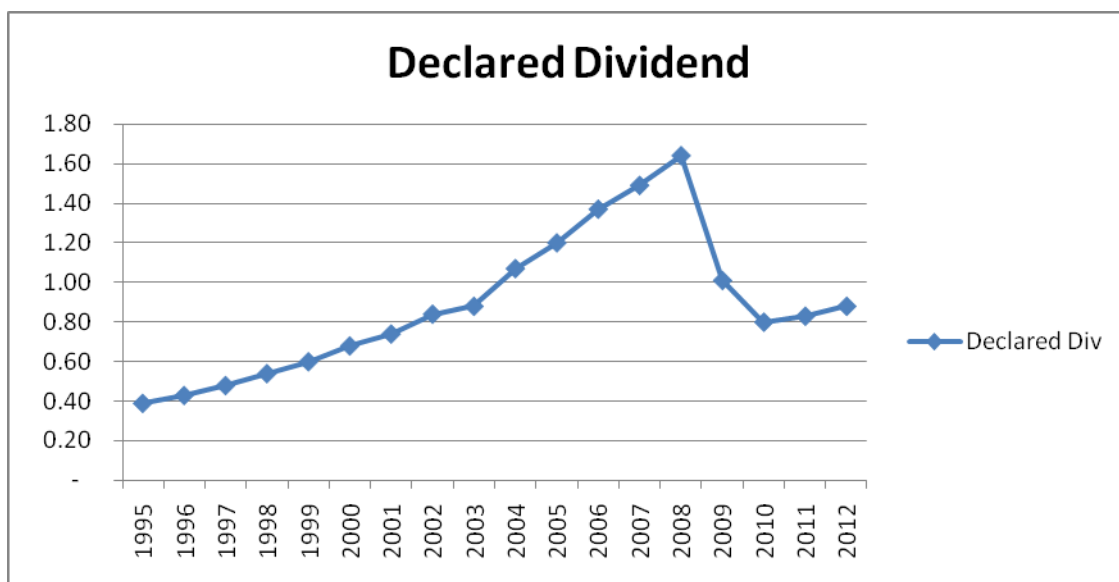
Discounted Cash Flow

In order to perform the DCF calculations, Allstate relies on data from the ValueLine Investment Survey. The most difficult DCF input to estimate is the growth rate of dividends (g), and several elements of the ValueLine data are typically used in Allstate’s estimation of this value: dividend per share growth (10-year average, 5-year average, and analyst forecast) and earnings per share growth (10-year average, 5-year average, and analyst forecast). Unfortunately, due to both recent events (Allstate’s dividend cut) and the nature of the ValueLine calculations, Allstate believes that both the historical averages and the analyst forecast numbers are misleading and require adjustment in order to be relevant.

To derive the projected growth rate for its dividend forecast, ValueLine compares a three-year average of historical dividends paid to a projected amount anywhere from four to six years into the future (depending on the timing of the report). This approach is taken so as to provide an element of stability in the results over time. However, in certain instances, such as Allstate’s case, it can be misleading. In early 2009, Allstate announced that its dividend would be cut from \$1.64 to \$0.80. From the current value of \$0.83, ValueLine expects the dividend to grow to \$1.10 by the year 2015. However, in their formula, the three-year average of “current” dividends was from 2008 to 2010, which were \$1.64, \$1.01, and \$0.80 respectively. The average of these values is \$1.15. Therefore,

ValueLine's "projected" amount of dividend growth was calculated as $(\$1.10/\$1.15)^{(1/6)} - 1$, which is equal to -1%.⁵ This calculation, however, is not appropriate because it is clear that ValueLine expects Allstate's dividend to grow from \$0.83 in 2011 to \$1.10 in 2015, which is actually 7.5% $(= (\$1.10/\$0.83)^{(1/4)} - 1)$ growth.⁶ It is particularly important to recognize the growth from the current \$0.83 level because it is the \$0.83 dividend that is used to calculate the dividend yield in other portions of the DCF analysis. If the growth is gauged based on the \$1.15 dividend, then the dividend yield should also be, which would significantly increase that value.

In addition, Allstate's dividend cut has caused significant impact to the historical dividend growth rates. Allstate's dividend growth was steady and constant prior to the dividend cut (and continues to be after the cut), but the one-time cut dramatically affects the historical calculations:



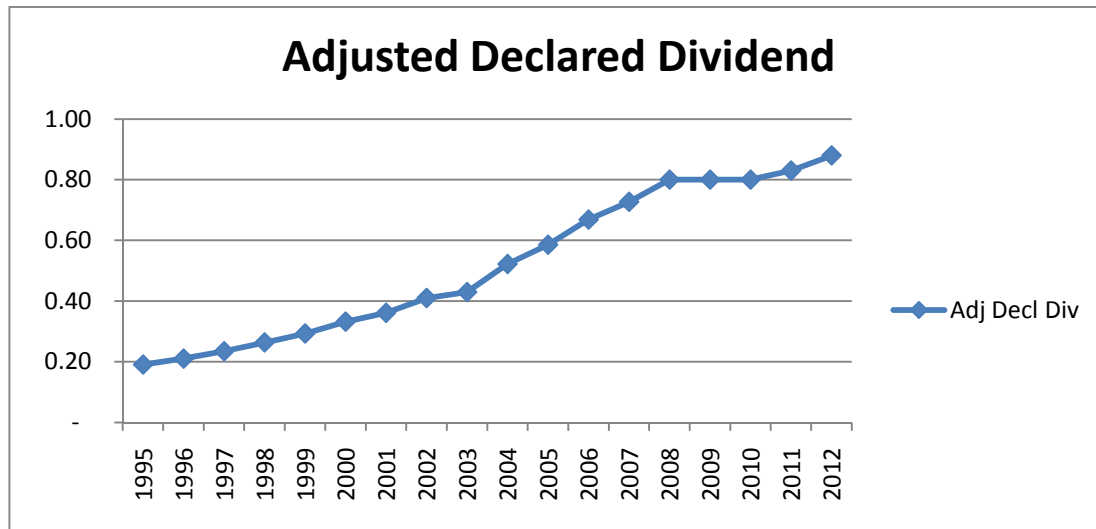
Recall that the DCF methodology states that the value of a share of a company's stock is equal to the present value of all future dividends. To make the estimates mathematically feasible, assumptions are made regarding the existence of a constant growth rate for dividends. With this assumption being made, the DCF formula can be rearranged in order to solve for the company cost of equity, given that the current stock price and dividend rate are known and the dividend growth rate (g) can be estimated. The point, however, is that there is a connection between the current stock price and the *future* dividend stream; this is entirely a forward-looking calculation. According to DCF theory, the current stock price already reflects the fact that Allstate has cut its dividend (and Allstate's stock price is down since the cut). What's important is where the dividend is expected to go from here.

⁵ Note: the calculation is to the $(1/6)$ power because the average years in comparison are 2009 and 2015, which is a six-year span.

⁶ ValueLine rounds its results to the nearest half-percent. Also note: the Earnings Per Share projections suffer from the same issue.

In the past, Allstate has included historical growth rates in its estimate of g , but historical growth rates are only helpful in as much as they provide a reasonable estimate of future growth. Based on the steady growth of the dividend before and after the cut, Allstate believes that the historical calculations do not reflect a reasonable estimate. Two years ago, the calculation of the 5-year historical growth rate yielded a result of 13%⁷; this year, with the dividend cut data being included, that estimate has dropped to 2%.

One option for trying to remedy this situation would be to adjust all of the pre-dividend-cut data to be on post-dividend-cut levels. The resulting data would be much smoother and easier to fit a historical trend to:



Based on this data, a historical trend for the last 10 years would equal an annual growth rate of 10.5%, and for the last 5 years would equal a rate of 9%. When the DCF formula is rearranged, we find that the cost of equity is equal to the sum of the current dividend yield rate and the dividend growth rate. Allstate's current dividend yield rate is 2.8%.⁸ The adjusted historical and forecast numbers for dividend growth, as described above, range from 7.5% to 10.5%. Based on these numbers, it would seem that a cost of equity in the range of 10% to 13% would be reasonable. However, caution should be exercised when evaluating the output of a methodology for which so many adjustments have been made.⁹

Industry Data

Given that both of Allstate's primary methodologies for estimating its cost of equity have been impacted circumstantially, and therefore require adjustment, actuarial prudence

⁷ Note: because of the nature of the ValueLine calculations (similar to the projection calculations), it took a couple years for the cut dividend data to be incorporated into the historical calculations.

⁸ As of Second Quarter, 2011

⁹ Often, when analysts are performing DCF calculations for a whole industry, they will remove the data for any company that has had a dividend cut, as the impact of that data can be substantial and harmful to the overall result.

would suggest that additional, external data be considered. A good source for this is Ibbotson's Cost of Capital Yearbook, where multiple analyses are performed on industries as a whole, as well as sub-sections of those industries. The Ibbotson analysis includes CAPM, CAPM plus Size (a methodology half-way between CAPM and FF3F), FF3F, one-stage DCF, and three-stage DCF calculations. These analyses, performed on the entire cohort of SIC Code 633 – Fire, Marine, and Casualty Insurance – yields the following results¹⁰:

	2006	2007	2008	2009	2010		Avg	Std Dev
CAPM	9.02	9.79	10.70	11.99	11.22		10.54	1.17
CAPM + Size Prem	10.04	10.76	11.62	11.99	12.30		11.34	0.93
FF3F	9.84	10.19	12.01	11.68	11.02		10.95	0.93
1-Stage DCF	10.57	10.76	9.78	10.37	11.27		10.55	0.55
3-Stage DCF	12.60	15.20	20.00	3.90	13.58		13.06	5.86

These calculations are also performed on subsets of the industry, including the median company, a small-company composite, and a large-company composite. The most appropriate comparison for Allstate would be the large-company composite, whose results are as follows:

	2006	2007	2008	2009	2010		Avg	Std Dev
CAPM	9.08	10.06	10.87	10.48	11.61		10.42	0.94
CAPM + Size Prem	9.08	10.06	10.87	10.48	11.61		10.42	0.94
FF3F	9.98	10.42	12.33	10.35	11.11		10.84	0.93
1-Stage DCF	10.59	10.84	10.00	10.50	9.74		10.33	0.45
3-Stage DCF	14.50	16.90	22.50	24.90	11.81		18.12	5.47

These results reflect the cost of equity for the average company in the industry, or the average large company in the industry. It is likely that Allstate is above average in risk in each of these categories. Allstate's portfolio of risks represents a unique distribution of lines and states (as do all companies'). Allstate writes almost 25% of its business in the homeowners line, some of which is highly volatile coastal business. Many of Allstate's biggest and most comparable multi-line competitors are mutual companies and are, as such, not included in the P/C industry composite. As a result, Allstate has a much higher proportion of business in the homeowners line than most of the companies included in the P/C industry composite. Therefore, we would expect Allstate's cost of capital to be at least as much as the average company (or average large company) in the industry composite.

Conclusion

For the last several years, Allstate has sought to achieve a cost of equity of 10% based on the results of the FF3F and DCF analyses. Allstate continues to believe in the validity of these actuarial methodologies, but this year, due to various circumstances, we believe that the output of the FF3F and DCF calculations is misleading. After making what we

¹⁰ Source: Ibbotson Cost of Capital Yearbooks, 2006 to 2010

believe to be reasonable and appropriate adjustments to both of the methodologies, each justifies the selection of a 10% cost of equity. In addition, calculations performed on both the entire property/casualty insurance industry, plus a subsection of the largest companies within that industry, across a range of methodologies, suggest that a cost of equity of 10% is certainly reasonable, and even a higher return could perhaps be justified. Nevertheless, based on both actuarial judgment and the benefit of the stability of rates, Allstate believes that a continued target cost of equity of 10% is reasonable and justified.

Development of the Underwriting Profit Provision From a Given Cost of Equity

Exhibits

ALLSTATE INSURANCE GROUP

Arkansas
Private Passenger Auto

Development of the Underwriting Profit

	Liability	Physical Damage	Total	Source
(1) Average Market Value of Equity:			\$ 25,562	Exh. 2
(2) Cost of Equity (%):			10.0%	
(3) Cost of Equity (\$):			\$ 2,556	=(1)*(2)
(4) Dividend Payout Ratio:			0.69	Exh. 3
(5) Average Market-to-book Ratio:			1.41	Exh. 4
(6) Income Due Shareholders:			\$ 2,556	=(3)
(7) Income Needed by Allstate:			\$ 2,268	=(6)/[(4)+(1-(4))* (5)]
(8) Investment Income on Equity:			\$ 476	IDF*
(9) Operating Income Needed:			\$ 1,792	=(7)-(8)
(10) Earned Premium:			\$ 25,605	Exh. 2
(11) Operating Ratio:			7.0%	=(9)/(10)
(12) Investment Income from PHSF**:	3.2%	0.5%	1.8%	Exh. 5, Pg. 1
(13) After-tax U/W Profit Provision:	3.8%	6.5%	5.2%	=(11)-(12)
(14) Tax Rate:	35%	35%	35%	FIT***
(15) Pre-tax U/W Income Needed by Allstate:	5.8%	10.0%	8.0%	=(13)/(1-(14))

*Investments Department forecast

**Policyholder-supplied Funds (PHSF) are unearned premium and loss reserves

***This is the federal income tax rate on underwriting profit for Allstate

Dollar values are in millions

ALLSTATE INSURANCE GROUP

Enterprise Valuation

(\$ In Millions)

Entity	GAAP Book Value*	Earned Premium*	Imputed Market Value**
Total Group	19,015	27,015	26,812
Allstate New Jersey Group	734	1,180	1,035
Castle Key Insurance Group	153	231	216
ANJ/CK	887	1,410	1,250
Group Less ANJ/CK	18,129	25,605	25,562

*As of 12/31/10

**Equals GAAP Book Value multiplied by the average market-to-book ratio

ALLSTATE CORPORATION

Dividend Payout Ratio

(1)	(2)	(3)	(4)	(5) = (3)+(4)	(6) = (5)/(2)
Year	Prior Year GAAP Net Income*	Dividends	Stock Repurchases (Net)	Total Payout	Total Payout Ratio
1997	\$2,075	417	1,277	1,694	0.82
1998	\$3,105	450	1,400	1,850	0.60
1999	3,294	482	864	1,346	0.41
2000	2,720	506	1385	1,891	0.70
2001	2,211	547	612	1,159	0.52
2002	1,158	594	383	977	0.84
2003	1,134	648	-48	600	0.53
2004	2,705	779	1111	1,890	0.70
2005	3,181	846	2,203	3,049	0.96
2006	1,765	885	1,516	1,765	** 1.00
2007	4,993	901	3,483	4,384	0.88
2008	4,636	897	1,281	2,178	0.47
2009	-1,679	432	-27	405	*** -0.24
2010	854	433	82	515	0.60
Total	33,831	8,385	15,549	23,298	0.69

Source: Allstate Annual Reports

*Dividends and Stock Repurchases for a given year are determined based on the previous year's income. Therefore, GAAP Net Income is lagged by one year so that the appropriate ratio is calculated.

**While additional payout was provided from equity funds in 2006, the dividend payout ratio is concerned with percentage of income paid towards dividends and stock repurchases. Therefore, the 2006 payout ratio is capped at 1.00.

***2009 was not included in the total due to the irregularity of the results.

ALLSTATE CORPORATION

Historical Market-to-book Ratios

Years	Allstate
Dec-01	1.38
Dec-02	1.47
Dec-03	1.47
Dec-04	1.62
Dec-05	1.73
Dec-06	1.85
Dec-07	1.35
Dec-08	1.39
Dec-09	0.97
Dec-10	0.89
10-yr Avg:	1.41
Selected:	1.41

Source: MSN Online Reports

<http://moneycentral.msn.com/investor/invsub/results/compare.asp?Page=TenYearSummary&Symbol=ALL>

ENCOMPASS INSURANCE COMPANY

Private Passenger Auto

Calculation of Total Coverages Investment Income
From Policy Cash Flow

	Investment Income	Weight*	Source
(1) Liability Coverages	3.2%	49.4%	Exh. 5, Pg. 2
(2) Physical Damage Coverages	0.5%	50.7%	Exh. 5, Pg. 3
(3) Total Coverages	1.8%	100.0%	Weighted Average

*The weight given to the coverages comes from premium volume

Encompass Insurance Group
Private Passenger Automobile
Arkansas

Exhibit 5
Page 2

Investment Income - Liability Coverages

Calculation of Present Value, as of the Average Earning Date of a Policy Year, of all
Income and Outgo @ 2.6% †force of interest, assuming an Operating Profit of 7.00%
and twelve month Policy Terms

<u>Years From Start of Policy Year</u>	<u>Cumulative Percent of Losses Paid</u>	<u>Yearly Percent of Losses Paid</u>	<u>Time from Start of Policy Year</u>	<u>Discounted‡ to Average Time of Profit @ 2.6%</u>	<u>Discounted Payments</u>
1	13.7 %	13.7 %	0.69	1.008	13.8 %
2	49.5	35.8	1.39	0.990	35.4
3	68.4	18.9	2.46	0.963	18.2
4	81.0	12.6	3.47	0.938	11.8
5	90.4	9.4	4.46	0.914	8.6
6	95.6	5.2	5.45	0.891	4.6
Subsequent	100.0	4.4	7.44	0.846	3.7
Total					96.1 %
Expected Losses and Loss Expense Ratio					65.8 %
Present Value of Loss and Loss Expense Payments					63.2 %
General Expense		8.4 %	0.75	1.007	8.5 %
Other Acquisition		1.1 %	0.63	1.010	1.1 %
Taxes		3.1 %	0.63	1.010	3.1 %
Licenses and Fees		0.2 %	0.63	1.010	0.2 %
Commissions		14.3 %	0.58	1.011	14.5 %
Debt Provision		1.4 %	1.00	1.000	1.4 %
Profit		5.8 %	1.00	1.000	5.8 %
Total Present Value of Outgo					97.8 %
Premiums		100.0 %	0.60	1.010	101.0 %
Difference, Present Value of Income Less Present Value of Outgo					3.2 %

†Discount rate from Investment Department forecast

‡exp (force of interest x (timing of profit being earned – timing of cash flow))

Encompass Insurance Group
Private Passenger Automobile
Arkansas

Exhibit 5
Page 3

Investment Income - Physical Damage Coverages

Calculation of Present Value, as of the Average Earning Date of a Policy Year, of all
Income and Outgo @ 2.6% †force of interest, assuming an Operating Profit of 7.00%
and twelve month Policy Terms

<u>Years From Start of Policy Year</u>	<u>Cumulative Percent of Losses Paid</u>	<u>Yearly Percent of Losses Paid</u>	<u>Time from Start of Policy Year</u>	<u>Discounted‡ to Average Time of Profit @ 2.6%</u>	<u>Discounted Payments</u>
1	49.9 %	49.9 %	0.63	1.010	50.4 %
2	100.2	50.3	1.15	0.996	50.1
Subsequent	100.0	-0.2	0.00	1.026	-0.2
Total					100.3 %
Expected Losses and Loss Expense Ratio					61.5 %
Present Value of Loss and Loss Expense Payments					61.7 %
General Expense		8.4 %	0.75	1.007	8.5 %
Other Acquisition		1.1 %	0.63	1.010	1.1 %
Taxes		3.1 %	0.63	1.010	3.1 %
Licenses and Fees		0.2 %	0.63	1.010	0.2 %
Commissions		14.3 %	0.58	1.011	14.5 %
Debt Provision		1.4 %	1.00	1.000	1.4 %
Profit		10.0 %	1.00	1.000	10.0 %
Total Present Value of Outgo					100.5 %
Premiums		100.0 %	0.60	1.010	101.0 %
Difference, Present Value of Income Less Present Value of Outgo					0.5 %

†Discount rate from Investment Department forecast

‡exp (force of interest x (timing of profit being earned – timing of cash flow))

State:	Arkansas	Filing Company:	Encompass Insurance Company of America
TOI/Sub-TOI:	19.0 Personal Auto/19.0001 Private Passenger Auto (PPA)		
Product Name:	EICA PPA		
Project Name/Number:	Rate Factor Revision (PPA PSRM)/1170687		

Superseded Schedule Items

Please note that all items on the following pages are items, which have been replaced by a newer version. The newest version is located with the appropriate schedule on previous pages. These items are in date order with most recent first.

Creation Date	Schedule Item Status	Schedule	Schedule Item Name	Replacement Creation Date	Attached Document(s)
12/20/2012	Filed 01/29/2013	Supporting Document	APCS-Auto Premium Comparison Survey	01/11/2013	04. APCS PSRM Survey Form ER-2180_V1.xls (Superceded) 04. APCS PSRM Survey Form ER-2180_V1.pdf (Superceded)
12/20/2012	Filed 01/29/2013	Supporting Document	NAIC loss cost data entry document	01/11/2013	03. StateFilingFormRF-1_ER-2180.pdf (Superceded)

SERFF Tracking #:	ALSE-128821535	State Tracking #:		Company Tracking #:	ER-2180: RATE FACTOR REVISION (PPA PSRM)
<hr/>					
State:	Arkansas	Filing Company:	Encompass Insurance Company of America		
TOI/Sub-TOI:	19.0 Personal Auto/19.0001 Private Passenger Auto (PPA)				
Product Name:	EICA PPA				
Project Name/Number:	Rate Factor Revision (PPA PSRM)/1170687				

Attachment 04. APCS PSRM Survey Form ER-2180_V1.xls is not a PDF document and cannot be reproduced here.

NAIC Number:10071Company Name:Encompass Insurance Company of AmericaContact Person:Andrew KingTelephone No.:847-402-5812Email Address:aking@allstate.comEffective Date:6/14/2013

DISCOUNTS OFFERED:
PASSIVE RESTRAINT/AIRBAG5-30%
AUTO/HOMEOWNERS20%
GOOD STUDENT10-14%
ANTI-THEFT DEVICE5-15%
Over 55 Defensive Driver Discount10%
\$250/\$500 Deductible Comp./Coll.0/13%

Private Passenger Auto Premium Comparison Survey Form
FORM APCS - last modified August 2005

Assumptions to Use:
1 Liability -Minimum \$25,000 per person
2 Bodily Injury\$50,000 per accident
\$25,000 per accident
3 Property Damage\$100 deductible per accident
4 Comprehensive & Collision\$250 deductible per accident
5 The insured has elected to accept:
Uninsured motorist property and bodily injury equal to liability coverage
Underinsured bodily injury equal to liability coverage
6 Personal Injury Protection of \$5,000 for medical, loss wages according to statute and \$5,000 accidental death
7 If male and female rates are different, use the highest of the two

Submit to:Arkansas Insurance Department
1200 West Third Street
Little Rock, AR 72201-1904
Telephone:501-371-2800
Email as an attachment to insurance.pnc@arkansas.gov
You may also attach to a SERFF filing or submit on a compact disk

		Fayetteville				Trumann				Little Rock				Lake Village				Pine Bluff				
		Gender	Female	Male	Male or Female	Male or Female	Female	Male	Male or Female	Male or Female	Female	Male	Male or Female	Male or Female	Female	Male	Male or Female	Male or Female	Female	Male	Male or Female	Male or Female
Vehicle	Coverages	Age	18	18	40	66	18	18	40	66	18	18	40	66	18	18	40	66	18	18	40	66
1999 Chevrolet Silverado 1500 2WD "LS" regular cab 119" WB	Minimum Liability		\$940	\$1,354	\$420	\$388	\$1,065	\$1,540	\$468	\$432	\$1,614	\$2,360	\$682	\$622	\$1,065	\$1,540	\$468	\$432	\$1,380	\$2,011	\$591	\$542
	Minimum Liability with Comprehensive and Collision		\$1,724	\$2,514	\$737	\$674	\$1,893	\$2,765	\$801	\$734	\$2,400	\$3,524	\$998	\$908	\$1,893	\$2,765	\$801	\$734	\$2,122	\$3,110	\$890	\$813
	100/300/50 Liability with Comprehensive and Collision		\$1,999	\$2,885	\$894	\$823	\$2,205	\$3,189	\$972	\$895	\$2,839	\$4,137	\$1,217	\$1,114	\$2,205	\$3,189	\$972	\$895	\$2,502	\$3,636	\$1,087	\$998
2003 Ford Explorer "XLT" 2WD, 4 door	Minimum Liability		\$940	\$1,354	\$420	\$388	\$1,065	\$1,540	\$468	\$432	\$1,614	\$2,360	\$682	\$622	\$1,065	\$1,540	\$468	\$432	\$1,380	\$2,011	\$591	\$542
	Minimum Liability with Comprehensive and Collision		\$2,033	\$2,976	\$857	\$783	\$2,222	\$3,255	\$930	\$850	\$2,709	\$3,984	\$1,120	\$1,017	\$2,222	\$3,255	\$930	\$850	\$2,414	\$3,545	\$1,005	\$916
	100/300/50 Liability with Comprehensive and Collision		\$2,308	\$3,347	\$1,014	\$932	\$2,534	\$3,679	\$1,101	\$1,011	\$3,148	\$4,597	\$1,339	\$1,223	\$2,534	\$3,679	\$1,101	\$1,011	\$2,794	\$4,071	\$1,202	\$1,101
2003 Honda Odyssey "EX"	Minimum Liability		\$940	\$1,354	\$420	\$388	\$1,065	\$1,540	\$468	\$432	\$1,614	\$2,360	\$682	\$622	\$1,065	\$1,540	\$468	\$432	\$1,380	\$2,011	\$591	\$542
	Minimum Liability with Comprehensive and Collision		\$1,973	\$2,885	\$834	\$762	\$2,157	\$3,158	\$904	\$827	\$2,651	\$3,896	\$1,096	\$997	\$2,157	\$3,158	\$904	\$827	\$2,359	\$3,461	\$982	\$897
	100/300/50 Liability with Comprehensive and Collision		\$2,248	\$3,256	\$991	\$911	\$2,469	\$3,582	\$1,075	\$988	\$3,090	\$4,509	\$1,315	\$1,203	\$2,469	\$3,582	\$1,075	\$988	\$2,739	\$3,987	\$1,179	\$1,082
2005 Toyota Camry LE 3.0L 4 door Sedan	Minimum Liability		\$940	\$1,354	\$420	\$388	\$1,065	\$1,540	\$468	\$432	\$1,614	\$2,360	\$682	\$622	\$1,065	\$1,540	\$468	\$432	\$1,380	\$2,011	\$591	\$542
	Minimum Liability with Comprehensive and Collision		\$2,289	\$3,356	\$958	\$873	\$2,495	\$3,662	\$1,038	\$947	\$2,963	\$4,361	\$1,219	\$1,107	\$2,495	\$3,662	\$1,038	\$947	\$2,655	\$3,902	\$1,099	\$1,001
	100/300/50 Liability with Comprehensive and Collision		\$2,564	\$3,727	\$1,115	\$1,022	\$2,807	\$4,086	\$1,209	\$1,108	\$3,402	\$4,974	\$1,438	\$1,313	\$2,807	\$4,086	\$1,209	\$1,108	\$3,035	\$4,428	\$1,296	\$1,186
2003 Cadillac Seville "STS" 4 door Sedan	Minimum Liability		\$940	\$1,354	\$420	\$388	\$1,065	\$1,540	\$468	\$432	\$1,614	\$2,360	\$682	\$622	\$1,065	\$1,540	\$468	\$432	\$1,380	\$2,011	\$591	\$542
	Minimum Liability with Comprehensive and Collision		\$2,423	\$3,556	\$1,010	\$921	\$2,642	\$3,881	\$1,097	\$999	\$3,092	\$4,555	\$1,269	\$1,153	\$2,642	\$3,881	\$1,097	\$999	\$2,778	\$4,087	\$1,148	\$1,045
	100/300/50 Liability with Comprehensive and Collision		\$2,698	\$3,927	\$1,167	\$1,070	\$2,954	\$4,305	\$1,268	\$1,160	\$3,531	\$5,168	\$1,488	\$1,359	\$2,954	\$4,305	\$1,268	\$1,160	\$3,158	\$4,613	\$1,345	\$1,230
1998 Chevrolet Cavalier LS 4D Sedan	Minimum Liability		\$940	\$1,354	\$420	\$388	\$1,065	\$1,540	\$468	\$432	\$1,614	\$2,360	\$682	\$622	\$1,065	\$1,540	\$468	\$432	\$1,380	\$2,011	\$591	\$542
	Minimum Liability with Comprehensive and Collision		\$1,796	\$2,621	\$765	\$699	\$1,972	\$2,884	\$834	\$763	\$2,468	\$3,626	\$1,025	\$933	\$1,972	\$2,884	\$834	\$763	\$2,188	\$3,208	\$916	\$837
	100/300/50 Liability with Comprehensive and Collision		\$2,071	\$2,992	\$922	\$848	\$2,284	\$3,308	\$1,005	\$924	\$2,907	\$4,239	\$1,244	\$1,139	\$2,284	\$3,308	\$1,005	\$924	\$2,568	\$3,734	\$1,113	\$1,022

NAIC LOSS COST DATA ENTRY DOCUMENT

1.	This filing transmittal is part of Company Tracking #	ER-2180
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2.	If filing is an adoption of an advisory organization loss cost filing, give name of Advisory Organization and Reference/ Item Filing Number	N/A
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Company Name		Company NAIC Number	
3.	A. ENCOMPASS INSURANCE COMPANY OF AMERICA	B.	008-10071

Product Coding Matrix Line of Business (i.e., Type of Insurance)		Product Coding Matrix Line of Insurance (i.e., Sub-type of Insurance)	
4.	A. Auto- Liability 19.0, Auto- Physical Damage 21.0	B.	

5.

(A) COVERAGE (See Instructions)	(B) Indicated % Rate Level Change	(C) Requested % Rate Level Change	FOR LOSS COSTS ONLY				
			(D) Expected Loss Ratio	(E) Loss Cost Modification Factor	(F) Selected Loss Cost Multiplier	(G) Expense Constant (If Applicable)	(H) Co. Current Loss Cost Multiplier
Bodily Injury	44.6%	12.1%					
Property Damage	23.6%	11.0%					
Medical Payments	105.1%	9.7%					
Uninsured/Underinsured	19.3%	7.0%					
Collision	-22.4%	-3.0%					
Comprehensive	-8.8%	-2.8%					
TOTAL OVERALL EFFECT	9.0%	5.0%					

6.

5 Year History

Rate Change History

Year	Policy Count	% of Change	Effective Date	State Earned Premium (000)	Incurred Losses (000)	State Loss Ratio	Countrywide Loss Ratio
2007	872	N/A	N/A	1,898	1,626	85.7%	55.8%
2008	655	N/A	N/A	1,300	813	62.5%	48.0%
2009	473	9.8%	3/5/2009	1,051	233	22.1%	52.8%
2010	362	N/A	N/A	742	113	15.2%	50.1%
2011	278	N/A	N/A	609	335	55.0%	51.5%

7.

Expense Constants	Selected Provisions
A. Total Production Expense	15.4%
B. General Expense	8.4%
C. Taxes, License & Fees	3.3%
D. Underwriting Profit & Contingencies	Liab: 5.8% Phys Dmg: 10.0%
E. Other (explain) Debt Provision	1.4%
F. TOTAL	Liab: 34.3% Phys Dmg: 38.5%

8. N Apply Lost Cost Factors to Future filings? (Y or N)

9. +11.7% Estimated Maximum Rate Increase for any Insured (%). Territory (if applicable): 38

10. Estimated Maximum Rate Decrease for any Insured (%) Territory (if applicable):